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Financial Statements

For the period 24 Nov 2017 to 31 March 2019

The Institute for Statecraft

Registered Charity Number : SC04870

Registered Company Number : SC312442

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Charity and Company Information

Trustees

Anthony Cooke

Oliver McTernan

Daniel Lafayeedney

Chris Donnelly

Celia Szusterman

Harry Hart (resigned 1 Feb 2019)

Philip Matthews (resigned 7 May 2019)

Piroska Nagy-Mohacsi (resigned 10 Dec 2019)

Registered Office

1 Rutland Court

Edinburgh

Midlothian

EH3 8EY

Bankers

Lloyds Bank

6 Holborn Circus

London

EC1N 2HP

Independent Auditor

Bowker Orford Chartered Accountants

15-19 Cavendish Place

London

W1G 0DD

Website: www.statecraft.org.uk

Registered Charity Number: SC 040870

Registered Company Number: SC312442

Trustees' Report

The Trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the 16 months ended 31 March 2019. The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, the Memorandum and Articles of Association, and 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).

Reference and Administrative Details

The reference and administrative details of the Institute are shown on page 3 of the financial statements.

Structure, Governance and Management

The Institute is a company limited by guarantee (registered in Scotland), governed by its Memorandum and Articles of Association and registered with the Office of the Scottish Charities Regulator. In 2018-19, the Institute's new Board of Trustees worked to improve internal governance and the financial resilience of the charity.

Recruitment and appointment of new Trustees

The directors of the company are also charity Trustees for the purposes of charity law. The number of Trustees shall not be less than five and not more than eight. There is no maximum term of office for Trustees, however, under the requirements of the Memorandum and Articles of Association of the charity, at each Annual General Meeting of the charity the following Trustees are required to retire and stand for re-appointment (should they wish): (i) any Trustee who has been appointed since the last Annual General Meeting and (ii) the Trustee who has been longest in office since he or she was last appointed or re-appointed.

Induction and training of new trustees

New Trustees may be sought through a dialogue with Trustees' contacts within the charity's sphere of activities. The ultimate decision on selection is a matter for the Trustees. On appointment, new Trustees sign a declaration statement committing them to giving of their time and expertise. The induction process for any newly appointed Trustee includes an initial meeting with the Chair and the Trustees, followed by short meetings on the activities of the charity and the role, powers and responsibilities of the Trustees. The meetings will include giving a brief history of the charity copies of Trustee board minutes, a copy of the governing document and a copy of the Charity Commission's guidance 'The Essential Trustee: What You Need to Know' and 'Charities and Public Benefit'.

Pay policy for senior staff

The key management team of the charity comprises those Trustees and senior management involved in directing and controlling, running and operating the charity and its programmes on a day to day basis. Details of Trustee remuneration and expenses are disclosed in note 8 to the accounts.

Objectives and Activities

Major Programmes

As the year progressed, it became increasingly clear that the understanding on which the Institute had been founded was ever more valid. The accelerated pace of change in the world was affecting many aspects of government, society and the corporate sector, both nationally and internationally, overtaking the ability of many established institutions to adapt and stay fit for purpose. In many places, a gap was opening between what people needed and what governments could provide. In the UK and many other Western countries, public confidence in democratic institutions and processes was falling. Countries with less stable and competent governmental systems faced grave crises of governance.

The long-term vision of the Institute has always been for it to provide public benefit by: conducting cutting edge research; generating alternative ideas; exploring new approaches, and; educating people to understand the world as it changes drastically. A fundamental element of this vision has always been to study the policies and strategies of countries such as Russia and China, and of organisations such as Islamic State, to educate policy makers and opinion formers to understand this, and to enable responsible people to take appropriate action.

We also seek to provide public benefit by undertaking practical projects and programmes in various relevant fields, outlined in the paragraph below – something essential if we are to achieve both a full understanding of the issues and an ability to help those affected by the challenge of change to devise effective solutions. The Institute is unique in that it was devised as not just a “think-tank” but also a “do-tank”, thereby distinguishing it from most other institutions in the field. This difference is one of the reasons why the Institute developed its special, working relationship with government.

The range of the Institute’s active programmes to provide public benefit is very wide, addressing such diverse issues as Police reform, health service reform, constitutional reform, as well as the issues referred to above. The factor common to these otherwise different areas is that, in all cases, the national governmental institutions responsible are proving unable to cope with the problems inflicted by rapid social change and are rapidly becoming unfit for purpose.

This active work in the crucial problem areas of societies is where most of the Institute’s provision of public benefit in the areas of human rights and conflict prevention is to be found, it is this failure of governance which, in many countries - including our own - is undermining peoples’ faith in their institutions and in democratic processes and is rendering the country more vulnerable to the exploitation of this loss of faith and of public confidence by disinformation attacks and malign influence conducted by unfriendly states and organisations.

The research network of distributed experts, academics and practitioners provide the intellectual powerhouse underpinning the educational work of The Institute. Their assessments are based upon deep cultural and historical understanding of the countries, institutions and individuals with which their studies are concerned. Researchers work with practitioners to tailor research to the specific needs of the problem areas in which the Institute engages.

This research is done both as a response to specific requests and stimulated by our identification of new trends and hitherto unforeseen circumstances posing a challenge to democratic institutions. The work of the researchers is made available through private papers, briefings, policy development exercises and published articles. Studies frequently offer a “loyal challenge”, pointing out alternative solutions in a positive manner rather than criticising mistakes.

It is this research work which provides the Institute with its unique advantage in providing public benefit, i.e. innovative thinking giving a better understanding of: the rapidly evolving global security environment; the dynamic changes in the nature of conflict and competition in the world, and; the resulting trends which are undermining trust in democratic processes and national institutions in the UK and abroad.

The educational work of the Institute is highly practical in nature and continues to be focused on current leaderships and potential future leaders, policy makers, opinion formers, and relevant professionals, as well as the informed public, so that they can understand the changing environment and, with our support, devise effective responses to the new challenges which they – and our society and its institutions – face.

Trustees Report (Cont'd)

The expansion of the Institute's current programmes and the incubation of other programmes and projects during the year, were supported by the work of the new Board of Trustees to strengthen the Institute's governance mechanisms, establishing improved reporting procedures and financial procedures, and reviewing Institute policy documents. This made it desirable to rearticulate the several features (which, together, create the special character of the Institute) as follows:

- Trustees are always mindful of the Institute's charitable status and therefore seek to ensure that it is always independent and politically impartial;
- The Institute is built on the accumulated experience and extensive expertise gained by its Directors, Fellows, and Associates during many years of working intimately with the Whitehall, foreign governments, academia, and the corporate world;
- Our Fellows draw on their operational experience, working directly with practitioners and policy makers in a continuous, interactive process;
- We bring together government, academic and other sectors to seek innovative practical solutions to policy challenges;
- The Institute possesses a very varied national and international network of associates, an accessible body of knowledge and expertise composed of willing volunteers with wide experience and great integrity, all with a passion to improve the world, and an intense commitment to their professional interests;
- We address issues of vital importance which other organisations often cannot or will not tackle;
- Our Fellows are trusted to provide analysis and assessment of the highest quality, as well as a "loyal challenge" function when this is needed, an alternative perspective with imaginative or radical solutions;
- Our working processes combine academic research, practical experience, and experimentation to ensure the constant refreshing of its intellectual process. We learn and develop our programmes by engagement, promoting innovation and working with partners for the long term to create the environment for those partners to generate their own effective solutions.

The Integrity Initiative

The *Integrity Initiative* was launched in the autumn of 2015, to track, expose and counter the increasing current of malign influence and disinformation throughout the West. The initial focus of the programme was on China, Jihadi organisations and Russia. At this time, very few other organisations were addressing these issues, and there was widespread public and leadership scepticism over the level (and even, in some places, the very existence) of Russian influence and disinformation. Many governments simply did not understand – as President Vladimir Putin had understood - the changing nature of competition and conflict or comprehend how, in this modern conflict, everything can be used as a weapon. The Kremlin sees itself as being at war with the West, and is waging that war using cheap, non-kinetic, weapons, the key weapons being information and the internet.

Consequently, the *Integrity Initiative* initially focused on forensic research to establish these points beyond doubt. We were supported in this unique endeavour by the Free University in Brussels Institute for European Studies (VUB-IES), whose rigorous academic research provided incontrovertible evidence to back up our thesis and conclusions

Fortunately, evidence of Russian interference in the US Presidential Election of 2016 had put the spotlight on the subject. Governments began to wake up. The fact that we had a good track record in this topic is why, in 2017, the Foreign and Commonwealth Office (FCO) began to support our work and in the current FY (beginning April 2018) significantly increased their funding, allowing the programme to be expanded rapidly. It was because of our very independence and impartiality that the FCO found it advantageous to work with us. But it is important to point out that at no time in this relationship has anyone in the FCO, or in Government generally, ever attempted to influence the conclusions of our research or instruct us in what we should say.

During the past eighteen months, not least due to the Skripal attack, our spotlight was mainly on Russia, but other countries and movements have not been neglected and the interaction of their disinformation with that of Russia is interesting in its own right.

A number of organisations and individuals across Europe had already been focusing on the problem of malign influence and disinformation affecting their own countries and the issue had become a topic for discussion between international

experts. But these experts tended to talk only to each other, and in English. Within countries, there was little contact between those experts and officials concerned with the issue and virtually nothing was published in local languages.

Noting this, we developed the *Integrity Initiative* during 2018 to fill this gap, setting up a network within a growing number of countries, linking individuals from all sectors (government, media, academia) who were concerned about the growing problem - especially from Russia - with those who understood the problem and the danger it posed, and who were prepared to engage in a programme to educate their policy makers and opinion formers.

Many of these expert individuals had been trolled, sometimes viciously and frighteningly (including death threats), on social media. In Greece they had been physically assaulted. A welcome consequence of the *Integrity Initiative* was that it provided moral support for people targeted in this way and who came to realise that they were not alone.

During 2018, we extended our network to as many European countries as possible, turning it into a network of networks, coordinated from the UK under the *Integrity Initiative* banner. The first study group had been established in Spain in January 2017, with a workshop drawing attention to the issues. This event laid the ground to produce a detailed, thoroughly researched paper following the independence referendum in Catalonia at the start of October 2017, clearly showing the way in which Russian state institutions, using both traditional and the latest hi-tech tools of interference, were trying to cause disruption. This report provided the basis for extensive coverage in the Spanish media.

Study groups were established in twelve European countries. Our network provided a conduit for sharing knowledge and experience, stimulating thinking and focusing research on disinformation and other aspects of malign influence from Russia and elsewhere. As well as publishing our own material we distributed informational material across our network, helping decision-makers and, via journalists and increasingly through social media, the general public to understand better the threat posed to our societies. We actively promoted across our network the best models of forensic research and of effective education.

It was the significant FCO funding which we received in July of 2018 which enabled us to begin to ramp up the Integrity Initiative in scale. It was this which brought us to Russia's attention and, we believe, was one of the main reasons why, in November 2018, our Institute was hacked and much private material was published online. This attack, and a subsequent disinformation campaign targeted against the Institute and its programmes, was particularly serious. Our Institute website and Integrity Initiative programme website had to be taken offline in the aftermath of this hacking.

The attack was subsequently assessed as being implemented by a hostile foreign organisation and is still being investigated by the National Crime Agency and the National Cyber Security Centre. Both organisations, and also the Metropolitan Police, have been most helpful in assisting us to deal with the hack and its aftermath. Our IT system has been thoroughly upgraded and made more secure and taken to a higher level of security.

The hack, and a small number of critical posts on the Integrity Initiative twitter feed, provoked complaints to the Office of the Scottish Charity Regulator (OSCR) that the Institute was acting as an agent of government and was not politically impartial. An inquiry was launched both by the Information Commissioner's Office (ICO) and OSCR.

The ICO report addressing data protection issues concluded in July 2019 that no regulatory action against the IfS was appropriate. The OSCR report, published in November 2019, was critical of earlier, inadequate governance of the IfS but acknowledged that these inadequacies had since been satisfactorily dealt with. OSCR acknowledged that advancing national security and defence had been mistakenly allowed as a charitable objective when the Institute was set up. It also ruled that the Integrity Initiative programme did not meet the OSCR definition of "educational" (which is that, to be educational, a programme must give both sides of a case and allow the public to decide which is right).

Consequently, the Trustees agreed to remove "advancing national security and defence" from the IfS' charitable objectives and to move the Integrity Initiative programme out of the charity completely and into a separate commercial company created for the purpose. This was therefore done. The OSCR report consequently concluded that no further action re the IfS would be necessary or appropriate. The Institute was free to continue its work and, henceforth, the Integrity Initiative will have no legal connection to the IfS.

The Latin America programme

During the previous year, the Latin America programme's focus on reducing gang violence in El Salvador had achieved a breakthrough by establishing prison rehabilitation and social reinsertion of offenders as the grounds on which the El Salvador Government agreed to co-operate with the UK and Argentinian experts whose participation had been arranged by the Institute's Latin America programme director.

During the current year, funding was provided by both UK and Argentinian Governments and by the Institute for Statecraft. The programme director organised a mission from El Salvador to Cambridge and London, which included the British Ambassador to El Salvador, a Uruguayan parliamentarian expert on prisons, two experts from the Ministry of Justice in Argentina, a representative from CRS, and the Salvadoran Chief Inspector of Prisons. Their programme included: a visit to HMP Grendon and HMP Whitemoor; participation in a session of the *Learning Together* programme run by the Institute of Criminology, University of Cambridge; meetings with Prof. Andrew Coyle and Baroness Stern in the House of Lords, and; meetings with Ministry of Justice officials.

Two missions were also organised from Argentina to El Salvador to advise the Directorate for Prisons Service in El Salvador on rehabilitation and reinsertion programmes based on the Argentine experience. The second visit included an Argentine judge who practiced procedural justice and was the main user of electronic monitoring as an alternative to imprisonment for low risk groups (pregnant mothers, elderly inmates with chronic or terminal diseases, etc.).

During this mission our programme director established a close link with the International Committee of the Red Cross which has only recently been allowed, after almost three years, to visit prisons in El Salvador. With the help of Prof. Coyle and together with the ICRC she helped the Salvadoran Directorate for Prisons to develop a protocol for high security prisons in El Salvador based on best practice and respecting basic human rights.

To further the aims of the programme, a two-week course at the Argentine Federal Prison System was organised by Prof. Liebling from the University of Cambridge, which included professors from Belfast, Glasgow and Edinburgh. A visit to Scotland was also arranged to coincide with an event organised by the Scottish Violence Reduction team, who invited Judge Victoria Pratt from the US to talk about procedural justice. As a result, the Deputy Minister for Prisons from the Argentine Ministry of Justice invited her to visit Argentina.

Meetings with the Vice-President elect of El Salvador consolidated the successes of the programme during the year and addressed the evolution of the security situation. The Institute offered to provide any help or advice on governance that the new administration was willing to accept, and engaged the Global Leadership Foundation and the Club de Madrid to be on standby to provide expert high-level assistance to the Government of El Salvador should the opportunity arise.

Societal Engagement with Minority Communities

The Shared Outcomes Programme continued, until it was closed in January 2019, to engage with young people from Black, Asian and minority (BAME) communities across the UK, promoting equality and diversity, citizenship and community development.

The project was funded by charitable foundations and also through the Covenant Fund, thanks to its strong working relationship with the Army, which provided support through specialist leadership education and residential Challenge Activity, preparation for Duke of Edinburgh programmes and accredited team-building courses.

Shared Outcomes provided opportunities for young BAME people (the majority Muslim) to broaden their horizons by discovering talents, developing new physical and psychological skills, and recognising their potential future selves. The aim has been to intervene in factors that underpin these complex problems, effects, and vulnerabilities and to increase the participants':

- Confidence, understanding and tolerance of others
- Progress towards, and achievement of, formal qualifications
- Rates of regular participation in social and civic action programmes

Shared Outcomes' intervention included a package of events and activities tailored to best fit the groups of young people and the wishes of community leaders. Activities include visits and residentials with the British Army; events designed to create or enhance awareness of common British, minority and Muslim military and civil heritage; and third-party team membership skills courses. As such, it has been a truly flexible and complex intervention.

Analyses of focus groups and feedback concluded that Shared Outcomes Army challenge weekends, the team membership course and field hospital visit were generally well received by young people and their mentors. They appeared to be beneficial to the young people, affect capability, opportunity, and motivation factors that may impact the target problems, and had considerable impact on stereotypes about the Army. The young people appeared to be keen to participate in future events and to spread the word.

The professional impact assessment undertaken for this current year concluded that: the Shared Outcomes programme had been highly acceptable to the participants and had immediate benefits for the majority of the BAME youngsters who took part; there was evidence that Shared Outcomes' objective to increase confidence, understanding and tolerance of others was being achieved; there appeared to be potential for longer term beneficial impact, and; the experience of the participants might prevent or alleviate chronic problems at individual and community level, and reduce vulnerable individuals' risk of marginalisation.

Based partly on the successful experience of the Shared Outcomes programme as a means of building participants' trust in and confidence to engage with British institutions, and partly on experience gleaned in over twenty years of long-term engagement work within ethnic communities across the UK, a parallel programme of societal engagement was started during the current year. The focus of this Programme has been on halting the trend towards alienation from the social mainstream which has been increasing in recent years, especially within the Muslim communities in the UK and other countries.

The Programme, working with community leaders, has sought to provide safe space for all sections of the community across the regions of the UK to raise issues about social and economic conditions that impact on their day-to-day lives. This new programme is based on a highly interactive and result orientated platform of dialogue and engagement with grassroots Muslim Communities in the former industrial towns and cities of the UK including London. The programme draws on as many elements of grassroots community leadership as possible: religious leaders (Imams); young people, both male and female, and, most importantly; Muslim professionals. Indeed, the programme seeks to engage with all those who contribute towards their communities' economic and social welfare.

During the course of the year, the programme conducted highly effective educational events across Lancashire, West Yorkshire and the East Midlands, the demand increasing rapidly as news of the programme spread through the community social networks. Programme directors and community leaders alike were acutely conscious of the fact that many such engagement and education programmes fail because Muslims both in the UK as well as in many other parts of the world suffer from a victimhood mentality, especially problematic since 9/11, and which hinders their progress and prevents them from becoming part of mainstream society wherever they live or reside. To avoid the trap of sympathising with those in the communities who want to simply highlight their sense of victimhood, we introduced experimental, innovative programmes to motivate these communities to embrace change and devise solutions rather than continuing to agonise over their collective problems and perceived injustices.

During the second half of the year, we introduced, with funding from HQ NATO, a 'Why NATO Matters' project (WNM), which directly challenged the attitudes of young people and the prevalent outlook of despondency and detachment from mainstream life. The programme set out to explain: what NATO is and what it does; its role and how it works as an international institution; how the UK participates in NATO, and the essence of the UK's defence and security policy; how that policy is made and what democratic levers the public have with which to influence that policy, and; why it is important that British citizens, whatever their cultural or religious background, should know this information and be prepared to express their views knowledgeably.

In addition to young people, a particular target of our engagement was women and those without access to higher education – strata of society which are often least well informed about international affairs and national policy making. In Muslim communities, they are normally either totally ignorant of NATO or view it through lens of conspiracy theories as Enemy No. 1 of the Muslim world. The results of the programme were spectacular, and successful beyond our expectations. Far from reacting passively or even negatively, our participants showed a great thirst for knowledge and

Trustees Report (Cont'd)

understanding as well as a commendable readiness to question and challenge. This education was an eye opener for them, as well as something which moved them outside their normal intellectual boundaries. No-one had told them this before. No one, either in school or in their daily lives had offered to explain international affairs, defence policy making or how international institutions work in a democracy, and how citizens can have their say. It is hardly surprising that, where such a vacuum of knowledge exists, it is difficult to get people from disadvantaged communities to play an active role in society and politics, and it is easy for those with malign intent to fill the vacuum with disinformation and lies.

In all, we conducted 20 formal seminars and 40 workshops across the regions of UK with a launch conference in Huddersfield, W. Yorks, which attracted considerable media interest, including featuring as a main report on Pakistan national television. The formal events gave rise to many more engagement and dialogues events with Muslim community leaderships, including Muslim religious institutes and business communities. The highlight of the programme was a fact-finding visit by some 30 young people plus community leaders to NATO HQ in Brussels.

Once the 'Why NATO Matters' project was fully developed and functioning at the grassroots level, it grew in scale and scope to involve the entire communities. The community leadership came forward and acknowledged that they saw that the 'Why NATO Matters' project offered new and unexpected education and partnership opportunities as well building their younger generations' confidence. They observed that their young people were excited and were keen to learn to listen carefully and respectfully to each other, to overcome prejudices and to change their minds. They were willing to search for solutions for the common good and were busy encouraging each other to broaden their horizons and build relationships outside their comfort zones. The feedback from the young people was not only that the programme had been uniquely valuable to them, and that they wanted more of the same, but that they wanted future sessions to involve not just Muslim youth but to be conducted with balance participation from their counterparts in the mainstream community.

The potential benefits and outcomes of such an education and dialogue programme are far-reaching, as they represent a foundation for greater engagement between the 'Muslim world' and the 'West', the Muslim mindset and the Western mindset. The success of this programme has provided a model for Muslim communities in European countries who seek to engage and integrate while maintaining their core religious and cultural values intact. At the same time, through such a platform of education and dialogue this programme has proved that it is possible to address all sectors of the diverse Muslim and other ethnic Communities in the UK as well as wider British society, establishing effective communications between peer groups; such as young people, religious and spiritual leaders, academics and educators, local and national social and civic delivery agencies, and representatives of officialdom.

Finally, this community engagement, dialogue and education programme represents a singular opportunity for leaders in the Muslim world to engage with the 'West' through the British microcosm, and to address the frequently negative misperception and portrayal of Islam and Muslim culture within Western media.

The Atlantic Treaty Association (ATA)

During the year 2018-9, the Institute became the formal UK chapter of the ATA and its youth wing (YATA), an international NGO devoted to educating people about NATO and its work. IfS colleagues represented the UK at ATA Council meetings and at the annual General Assembly in Brussels, and put on several educational events, including a very successful crisis simulation game for a 6th form audience. Whether this programme will grow during the coming year will depend on the long-term future of the ATA, which as 2019 advanced, experienced increasing organisational difficulties.

Policy Support Projects

The Institute also runs a series of projects and working groups aimed at providing advanced research, new thinking, loyal challenge, and educational support for national institutions and governmental agencies, to assist them to adapt more effectively to the rapid change which challenges their functionality and undermines public faith in our liberal democratic processes. Output is in the form of study papers, seminars, conferences and mentoring. The projects are as follows:

Governance: over the past twenty years, the UK's system of governance has evolved considerably. Cabinet government has been replaced by a more "presidential" style of governing; the power of Parliament has diminished; the Civil Service has shrunk and become deskilled and more political; responsibility for policy making has moved from departments

(ministries) to the Cabinet Office. But the implications of these significant but gradual changes have not been recognised. Our study group is assessing their impact and investigating options to strengthen governance processes which have been weakened by these trends.

Forms of Power: This working group studies in depth what constitutes the forms of power which can be used in modern conflict competition i.e. “hybrid” or “political” warfare, and how these can be harnessed, deployed and employed in conjunction with classic military power. The group also looks at the implications for alliances which need to understand, to defend against and to conduct this form of conflict and competition.

A function of this working group includes educating people on the contribution of women to, and their essential role in, national security and defence. To that end, the Institute organised for a high-level group of professional women from Spain, holding senior positions in business, as policy makers or opinion formers, and influential celebrities, to visit HQ NATO in Brussels during the current year, for briefings and discussions on this issue. The highlight of this visit was a performance for HQ staff by Sra. Sol Picó who interpreted “Ojos grandes” by Las Migas, a dance and song tribute to murdered women victims of domestic violence in Mexico. Whether this activity continues in future, in the light of OSCR’s ruling and Trustees’ decision to remove “advancing national security and defence” from the IfS’ charitable objectives, will be decided in due course, in consultation with OSCR.

National Health: addresses the need to find new ways of working so that a high level of healthcare can be provided to our populations in an affordable and sustainable way, without the expense jeopardising the ability of the state to perform its other essential functions in an age of uncertainty and rapid change.

Energy: energy can be a powerful weapon of hybrid warfare and hypercompetition. This group works with national and EU institutions and with NATO to raise awareness of the use of energy as a weapon, in conjunction with other weapons of hybrid warfare. It helps policy makers and legislators to deal with the complexities of safe energy supply and to use the existing international levers to ensure that their national interests are not overridden.

Policing: when did you last see a Bobby on the Beat? In many places, the Police have all but disappeared from Britain’s streets. Policing is changing to something which is done to society, rather than for society. Social and budgetary pressure, combined with increased legal and procedural regulations, are placing an unbearable strain on our Police Forces. This project addresses options for reform and explores new ways of tackling the problems of modern policing.

Strategy Working Group; this cross-disciplinary group brings together international specialists to devise processes for strategic thinking and strategy making across government; to evaluate different models of strategic thinking for their appropriateness to modern conflict and hypercompetition, taking into account the realities of the UK as it is today, and; to develop a strategic approach to advancing the UK’s national interests.

Russia: the Russia team brings together for discussion and debate UK and other experts who understand how Russia works to monitor developments in that country and in Russia’s relationship with the west and other key regions of the world.

Programmes in Incubation

The Institute is “incubating” several important programmes, to be stood up full scale as soon as time and resources are available to do so. Meanwhile, Institute staff, Fellows and Associates, working with external experts, are busy monitoring the situation, establishing the main issues to be addressed, developing the main lines of research and action, and identifying experts, opinion formers and policy makers with whom they will engage at the appropriate time.

Good Governance: the Institute’s *Governance Integrity Group* (GIG) has formed to offer expert advice on all aspects of good governance to governmental and commercial clients.

China, the Indian sub-continent, the Middle East and the High North are the focus of regional programmes in incubation. All have expert leadership and excellent prospects for development into full-scale programmes.

Trustees Report (Cont'd)

Other Notable Activities and Events

The Institute signed an MOU with Leicester University during the year, to encourage joint research and collaborative programmes. This MoU was terminated by the University in the aftermath of the Hacking.

The Institute has opened discussions with experts and analogous organisations in Australia, with a view to increasing cooperation and collaboration on issues of mutual interest.

Institute staff served as advisers to, acted as witnesses before, or prepared studies for: the House of Commons Defence Committee; the Public Administration and Constitutional Affairs Select Committee, and; the Intelligence and Security Committee of Parliament.

Obit: We are sad to announce the deaths during 2018 of: Institute Senior Fellow Professor Martin Edmonds, formerly of Lancaster University, and; Member of the Institute's Board of Advisors Richard Sermon MBE. Both made great contributions to the work of the Institute and are sorely missed.

Achievements and Performance

The *Integrity Initiative* successfully extended its network of expert study groups, researching and informing on disinformation and malign influence to more than a dozen countries in Europe, focusing mainly on the activity of Russia and extremist Jihadi organisations. This work succeeded in raising awareness of this challenge amongst policy makers and opinion formers across the continent and stimulating their efforts to counter it. The programme's achievements were recognised in 2018 by a significantly increased funding grant to continue the work. However, following the OSCR inquiry and report (see above), this programme has now been completely removed from the Institute's agenda and will henceforth be run as a commercial venture with no legal connection to the IfS.

The *Latin America* programme successfully advanced the reform process in El Salvador through its work for prison rehabilitation and social reinsertion of offenders. A mission from El Salvador to Cambridge and London, including Argentinian and Uruguayan specialists, and two missions from Argentina to El Salvador to advise the Directorate for Prisons Service have established the programme in El Salvador as one of the most successful, sustainable reform initiatives of recent years. Ongoing funding for the programme from the UK and Argentine Governments is an acknowledgement of this success.

Building on the past years' success of the *Shared Outcomes* programme and on the mutual trust established through the Institutes' long-term investment in working with Muslim communities, the *Societal Engagement* programme was able most effectively to launch an innovative programme funded by HQ NATO to educate people – especially women and teenagers - from disadvantaged communities to understand the functions of national and international institutions. This generated the confidence in them to engage with these institutions, to use the democratic levers of influence available to all citizens, and to spread their knowledge to their peers.

During the year other projects contributed material as witnesses to three UK Parliamentary Select Committees and to the Cabinet Office. Research studies on: the impact of change on UK governance; UK defence acquisition, and; Russian strategy were completed.

Financial Review

The operations in the year gave rise to total net deficit of £50,248 and at 31st March 2019 the charity had total funds of £204,757. The net income for the year for unrestricted funds was £139,177 and at the end of the year unrestricted funds stood at £195,864. Activities related to restricted funds produced net deficit of £189,425 during the year and total restricted funds at 31st March 2019 were £8,893 after taking into account the surplus brought forward of £198,318.

Trustees Report (Cont'd)

Plans for future periods

The *Latin America* programme is set to continue its work, developing the partnership between the UK and Argentina to collaborate on benign issues supporting governance reform in El Salvador and other countries of the region.

The *Societal Engagement* programme plans to expand rapidly, extending its educational activity but specifically bringing together in its events participants from minority communities with those from the societal mainstream, something insisted upon by participants in the past year's programme.

All the other policy support projects and projects under incubation are planned to continue and to increase in activity. Priority will be given to developing the China and the Middle East/N Africa study programmes and to consolidating the Institute's presence in the USA.

Funds held as custodian trustees on behalf of others

The charity held no funds on behalf of others during the year.

Reserves and Reserves Policy

The net liquid assets of the charitable company amounted to £274,693 at the end of the year of which £232,042 was unrestricted. The majority of the Institute's income was through funded programmes. The Trustees are currently working to diversify income streams and to build reserves, including unrestricted, over the coming years.

Organisational Structure

At the Trustees' meetings, the Trustees agree the broad strategy and areas of activity for the Charity and review operational and financial progress. The Trustees take decisions by consensus or, where necessary, by simple majority vote. In the case of specific topics defined in the Articles of Association, the Founder Members of the company have the decisive vote. Day-to-day operational decisions are delegated to the two Founder Members.

Related Parties

No Trustees are paid for their services as Trustees but were remunerated in the period for out of pocket expenses. In addition, three Trustees were remunerated for other services provided to the organisation as detailed in note 8 of the accounts.

Responsibilities of Trustees

The Trustees (who are also the directors of The Institute for Statecraft 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

Trustees Report (Cont'd)

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

The auditors, Bowker Orford, Statutory Auditor, will be proposed for re-appointment at the next Annual General Meeting.

Statement as to disclosure to our auditors

In so far as the Trustees are aware at the time of approving our Trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the Trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Name: Daniel Lafayeedney

Signature:  Date 19 December 2019

Independent auditor's report to the members and trustees of The Institute for Statecraft

Opinion

We have audited the financial statements of The Institute for Statecraft (the charitable company) for the period ended 31 March 2019 which comprise a Statement of Financial Activities, Balance Sheet, Statement of Cash Flows 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 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 charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 charitable company 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 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 (who are also the directors of the company for the purposes of company law) 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 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 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. 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.

Independent Auditor's Report (Cont'd)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report, included within the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 13 and 14, 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 misstatements, 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 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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatements when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonable 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. 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, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the

Independent Auditor's Report (Cont'd)

charitable company's members and trustees those matters we are required to state to them in a Report of the Auditors 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 company's members as a body and the company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Narendrakumar Mistry FCA (Senior Statutory Auditor)

For and on behalf of Bowker Orford
Accountants, Business Advisors and Statutory Auditors
15-19 Cavendish Place
London
W1G 0DD

19th December 2019

Date:

Statement of Financial Activities (Incorporating Income and Expenditure Account)

For the period 24 November 2017 to 31 March 2019

	Notes	Unrestricted (£)	Restricted (£)	Total 16 months to 31 Mar 2019 (£)	Unrestricted (£)	Restricted (£)	Total 12 months to 23 Nov 2017 (£)
Income and endowments from:							
Donations and legacies	2	535,726	1,599,407	2,135,133	87,318	434,464	521,782
Charitable activities	2	75,114	0	75,114	0	0	0
Other	2	0	0	0	2	2	4
Total		610,840	1,599,407	2,210,247	87,320	434,466	521,786
Expenditure on:							
Raising Funds	3	0	2,082	2,082	1,874	2,402	4,276
Charitable Activities	4	474,328	1,784,085	2,258,413	135,555	240,352	375,907
Total		474,328	1,786,167	2,260,495	137,429	242,754	380,183
Net income/(expenditure)		136,512	(186,760)	(50,248)	(50,109)	101,712	141,603
Transfers between funds		2,665	(2,665)	0	19,819	(19,819)	0
Net movement in funds		139,177	(189,425)	(50,248)	(30,290)	171,893	141,603
Reconciliation of funds							
Total funds brought forward		56,687	198,318	255,005	86,977	26,425	113,402
Current Year Earnings		139,177	(189,425)	(50,248)	(30,290)	171,893	141,603
Total funds carried forward		195,864	8,893	204,757	56,687	198,318	255,005

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

The Notes to the Accounts on pages 21 to 31 form part of these financial statements

Balance Sheet

As at 31 March 2019

	Notes	Unrestricted (£)	Restricted (£)	Total 31 Mar 2019 (£)	Unrestricted (£)	Restricted (£)	Total 23 Nov 2017 (£)
Fixed Assets:							
Tangible assets	10	13,588	0	13,588	11,008	0	11,008
Total fixed assets		13,588	0	13,588	11,008	0	11,008
Current assets:							
Debtors	11	104,813	36,255	141,068	0	0	0
Cash at bank and in hand		127,229	6,396	133,625	53,592	252,792	306,384
Total current assets		232,042	42,651	274,693	53,592	252,792	306,384
Liabilities:							
Creditors: Amounts falling due within one year	12	49,766	33,758	83,524	7,913	54,474	62,387
Net current assets		182,276	8,893	191,169	45,679	198,318	243,997
Total assets less current liabilities		195,864	8,893	204,757	56,687	198,318	255,005
The funds of the charity:							
Total funds of the Charity	15	195,864	8,893	204,757	56,687	198,318	255,005

The financial statements have been prepared in accordance with the provisions of the Companies Act 2006 applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the Trustees and signed on their behalf by:



Daniel Lafayeedbey

Trustee

Date: 19 December 2019

The Notes to the Accounts on pages 21 to 31 form part of these financial statements

Cash Flow Statement

For the period 24 November 2017 to 31 March 2019

	Total 31 Mar 2019 (£)	Total 23 Nov 2017 (£)
Cash flows from operating activities		
Net cash provided by operating activities	(163,465)	194,295
Net cash provided by operating activities	(163,465)	194,295
Cash flows from investing activities		
Purchase of Equipment	(9,294)	(11,318)
Net cash used in investing activities	(9,294)	(11,318)
Change in cash and cash equivalents		
Change in cash and cash equivalents during the year	(172,759)	182,977
Cash and cash equivalents brought forward	306,384	123,407
Cash and cash equivalents carried forward	133,625	306,384
Reconciliation of cash flows from operating activities		
Net income/(expenditure for the reporting period (as per the statement of financial activities)	(50,248)	141,603
Adjustments for:		
Depreciation charges	6,714	310
(Increase)/decrease in debtors	(141,068)	5,711
Increase/(decrease) in creditors	21,137	46,671
Net cash provided by (used in) operating activities	(163,465)	194,295

Cash and cash equivalents

All cash at 31 March 2019 and 23rd November 2017 was cash in hand.

Notes to the Accounts

1. Accounting policies

1.1 General information and basis of preparation

The Institute for Statecraft is a charitable company registered in Scotland. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the Charity information on page 3 of these financial statements.

The Charity constitutes a public benefit entity as defined by FRS102. The financial statements have been prepared in accordance with 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 (FRS102) issued on 16 July 2014, (SORP (FRS102)), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements are prepared on a going concern basis under the historical cost convention. There are no material uncertainties about the charities ability to continue. The financial statements are prepared in sterling which is the functional currency of the Charity and rounded to the nearest pound.

The significant accounting policies applied in the preparation of these accounts are set out below. These policies have been consistently applied to all years unless otherwise stated.

1.2 Funds

General funds are unrestricted funds which are available at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund.

1.3 Income

All income is included in the Statement of Financial Activities when the Charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

For donations and donations to be recognised, the Charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then the income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the Charity and it is probable that they will be fulfilled.

Interest on funds held on deposit is included when receivable and when the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank

1.4 Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

Notes to the accounts (cont'd)

Support costs are those that assist the work of the Charity but do not directly represent charitable activities and include office costs and governance costs. They are incurred directly in support of expenditure on the objects of the charity.

1.5 Apportionment of support and governance costs

Support and governance costs are apportioned based on approximate number of regular consultants used by each project. Consultants are deemed to be those likely to use the London office facilities or make use of IT security and regular is defined as more than 3 invoices submitted for expenses or consultancy during the financial year.

- Shared Outcomes: 2 (3%)
- Integrity Initiative 1, Foreign Office donor: 10 (19%)
- Integrity Initiative 2, Foreign Office donor: 29 (56%)
- Latin America (Foreign Office grant): 1 (2%)
- Why NATO Matters: 2 (3%)
- Elcano: 1 (2%)
- Other 8 (15%)

1.6 Tangible Fixed Assets

All assets costing more than £500 are capitalised.

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less their estimated residual value, of each asset on a systematic basis over its useful life as follows:

Office Equipment - 3 years

1.7 Financial Instruments

The Charity enters into basic financial instrument transactions and concessionary loans that result in the recognition of financial assets and liabilities such as investments, cash, debtors and creditors.

Basic financial instruments are initially measured at transaction value. They are assessed at the end of each report period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the SOFA.

- Current assets and current liabilities are measured at the cash or other consideration expected to be paid or received and not discounted.

1.8 Cash

Cash used for working capital purposes is included on the Balance Sheet as Cash at Bank or in Hand and is included at cash value held.

1.9 Debtors and creditors receivable/payable within one year

Debtors are recognised when the Charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

All expenditure is accounted for on an accruals basis. Creditors are recognised when the Charity has present legal or constructive obligation resulting from a past event to make a payment to a third party, it is probable that settlement will be required and the amount due to settle the obligation can be measured or estimated reliably.

Notes to the accounts (cont'd)

1.10 Tax

The Charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

1.11 Going Concern

The financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the levels of reserves for the Charity to be able to continue as a going concern.

1.12 Volunteers

One volunteer worked for the Institute for Statecraft in the capacity of supervising project manager for the Shared Outcomes program and left their role at the end of January 2019.

	Unrestricted (£)	Restricted (£)	Total 16 months to 31 Mar 2019 (£)	Total 12 months to 23 Nov 2017 (£)
2. Income and endowments from:				
Income from donations and legacies				
Shared Outcomes program	4,520	(58,626)	(54,106)	245,851
Integrity Initiative program (private donor)	0	0	0	130,000
Integrity Initiative program phase 1, Foreign Office	23,473	148,459	171,932	124,567
Integrity Initiative program phase 2, Foreign Office	490,250	1,470,750	1,961,000	0
Latin America (Foreign Office grant)	0	11,595	11,595	0
Why Nato Matters program	0	18,080	18,080	0
Individual donations to general funds	17,483	0	17,483	21,364
The Elcano Institute Research program	0	9,149	9,149	0
Total Income from donations and legacies	535,726	1,599,407	2,135,133	521,782
Income from charitable activities				
Seminar and workshop income	11,280	0	11,280	0
European Services Network monitoring program	63,834	0	63,834	0
Total Income from charitable activities	75,114	0	75,114	0
Other income				
Interest income	0	0	0	4
Total Income	610,840	1,599,407	2,210,247	521,786

In the 16 months to 31 Mar 2019, Shared Outcomes received £54,010 in grants of which £4,520 was unrestricted and £49,490 was restricted. In February 2019 it returned £108,116 to donors as the projects were discontinued.

	Unrestricted (£)	Restricted (£)	Total 16 months to 31 Mar 2019 (£)	Total 12 months to 23 Nov 2017 (£)
3. Expenditure on raising funds				
Fundraising consultancy	0	2,082	2,082	4,276
Total Expenditure on raising funds	0	2,082	2,082	4,276

Notes to the accounts (cont'd)

	Unrestricted (£)	Restricted (£)	Total 16 months to 31 Mar 2019 (£)	Total 12 months to 23 Nov 2017 (£)
4. Expenditure on charitable activities				
Direct charitable activity costs				
Salaries and social security costs	146,375	444,454	590,829	0
Consultancy and research projects	139,249	1,019,961	1,159,210	206,588
Travel and Subsistence	40,542	201,078	241,620	19,741
Research materials and information subscriptions	245	2,770	3,015	0
Venue hire and catering for events and meetings	6,972	8,557	15,529	6,158
Publicity and website development	130	16,184	16,314	1,050
Courses for young people	0	78,335	78,335	61,605
Total Direct charitable activity costs	333,513	1,771,339	2,104,852	295,142
Support costs				
Office rent and rates	39,083	0	39,083	48,939
IT Support and website maintenance	31,118	11,562	42,680	7,778
Telephone	3,417	291	3,708	2,424
Insurance	275	0	275	1,106
Equipment storage costs (due to flooding)	0	0	0	5,822
Legal and company secretarial	12,860	0	12,860	120
Stationery, postage and sundry office costs	4,069	598	4,667	2,941
Depreciation	6,714	0	6,714	310
Bank charges	581	295	876	784
Subscriptions, memberships and donations	290	0	290	1,592
Accountancy and bookkeeping	24,408	0	24,408	0
Total Support costs	122,815	12,746	135,561	71,816
Governance costs	18,000	0	18,000	8,949
Total Expenditure on charitable activities	474,328	1,784,085	2,258,413	375,907

Total governance costs of £18,000 are made up of £3,000 for under-accrued audit fees for the year ended 23 Nov 2017 and £15,000 audit fees for the 16 months to 31 Mar 2019.

5. Net income/(Expenditure) for the year is stated after charging:

Depreciation of tangible fixed assets was £6,714 for the 16 months to 31 Mar 2019 (12 months to 23 Nov 2017: £310)

Auditors remuneration was £15,000 for the 16 months to 31 Mar 2019 (12 months to 23 Nov 2017: £9,000)

Notes to the accounts (cont'd)

	Unrestricted (£)	Restricted (£)	Total 16 months to 31 Mar 2019 (£)	Total 12 months to 23 Nov 2017 (£)
6. Employee costs				
Wages and salaries	127,368	390,098	517,466	0
Social security costs	18,487	40,199	58,686	0
Pension costs	520	14,157	14,677	0
Total Employee costs	146,375	444,454	590,829	0

The charity had 12 employees during the 16 months to 31 Mar 2019 (12 months to 23 Nov 2017: Nil)

The number of employees who received employee benefits (excluding employer pension costs) of more than £60,000 is follows:

Salary band	2019	2017
£60,000-£70,000	2	0
£70,000-£80,000	0	0
£80,000-£90,000	1	0
£90,000-£100,000	0	0
£100,000-£110,000	0	0
£110,000-£120,000	1	0

7. Remuneration of key management personnel

The charity considers its key management personnel to be comprised of Trustees and the CEO.

The total remuneration received by its key management personnel for services to the charity was £299,346 in the 16 months to 31 Mar 2019 (12 months to 23 Nov 2017: Nil). The trustees received £245,350 and the CEO received £53,996.

8. Trustees' and related parties remuneration and expenses

During the 16 months to 31 Mar 2019, Chris Donnelly, a trustee, was paid total remuneration of £110,487 as an employee, consisting of £96,000 salary, £14,487 Employers National Insurance and no pension benefits. He also received £17,657 in expenses for travel and subsistence and £444 for meeting expenses with project staff and consultants.

During the 16 months to 31 Mar 2019, Daniel Lafayeedney, a trustee, was paid total remuneration of £89,863, consisting of £80,000 salary, £9,863 Employers National Insurance and no pension benefits. He also received £2,875 in expenses for travel and subsistence, £1,071 for stationery/postage/sundry office expenses and £615 for meeting expenses with project staff and consultants.

During the 16 months to 31 Mar 2019, Celia Szusterman, a trustee, was paid £45,000 for consultancy services. She also received £29,995 in expenses for travel and subsistence, £49 for stationery/postage/sundry office expenses and £595 for meeting expenses with project staff and consultants.

The charity is able to pay trustees due to a provision in the articles governing the organisation. The directors' remuneration was for work done on specific projects and for the incubation and administration of potential projects.

Notes to the accounts (cont'd)

9. Trustees' and related party donations

A total of £14,996 was donated by trustees during the 16 months to 31 Mar 2019 without conditions (12 months to 23 Nov 2017: £0)

	Unrestricted (£)	Restricted (£)	Total at 31 Mar 2019 (£)	Total at 23 Nov 2017 (£)
10. Fixed assets - Computer Equipment				
Cost				
Opening balance	0	0	0	0
Laptops and computers	11,318	0	11,318	0
Additions	9,294	0	9,294	11,318
Closing balance	20,612	0	20,612	11,318
Depreciation				
Opening balance	310	0	310	0
Charge for the year	6,714	0	6,714	310
Closing balance	7,024	0	7,024	310
Net book value of Computer Equipment				
Closing balance	13,588	0	13,588	11,008
	Unrestricted (£)	Restricted (£)	Total at 31 Mar 2019 (£)	Total at 23 Nov 2017 (£)

11. Debtors				
Trade debtors	103,579	36,255	139,834	0
Prepayments	1,234	0	1,234	0
Total Debtors	104,813	36,255	141,068	0

The prepayment of £1,234 related to an advance payment to one consultant, for which an invoice was received in May 2019.

	Unrestricted (£)	Restricted (£)	Total at 31 Mar 2019 (£)	Total at 23 Nov 2017 (£)
12. Creditors falling due within one year				
Trade creditors	30,548	19,492	50,040	6,104
Taxation and social security	4,218	14,266	18,484	0
Accruals	15,000	0	15,000	24,000
Deferred income	0	0	0	31,540
Other creditors	0	0	0	743
Total Creditors falling due within one year	49,766	33,758	83,524	62,387

13. Details of Restricted Funds

Integrity Initiative 1, funding by Foreign and Commonwealth Office

A second phase of the Integrity Initiative program was funded by the Foreign and Commonwealth Office, to continue the work on disinformation. A grant of £250,000 was agreed at start of the program in July 2017 and additional funding of £46,499 was given in March 2018. £124,567 was received during the year to 23 Nov 2017 and £171,932 in the 16 months to 31 Mar 2019.

Notes to the accounts (cont'd)

25% of the total funds received in the 16 months to 31 Mar 2019 were unrestricted (£23,473 of £171,932) and the remaining 75% (£148,459 of £171,932) were unrestricted. All funds received for the Integrity Initiative 1 phase had the following conditions:

- to be spent between 1 July 2017 and 31 March 2018
- to be spent only on the activities and purposes set out in the grant application
- progress on spend would be monitored on a quarterly basis
- funds not spent by 31 March 2018 would be returned to the donor

For the year 2018, £171,932 was received in total, with £23,473 as unrestricted income and £148,459 as restricted income.

Integrity Initiative 2, funding by Foreign and Commonwealth Office

A third phase of the Integrity Initiative program was funded by the Foreign and Commonwealth Office, to continue the work on disinformation. A grant of £1,961,000 was given, of which £1,470,750 was restricted and £490,250 was unrestricted. The restricted income had the following conditions:

- to be spent between 1 April 2018 and 31 March 2019
- to be spent only on the activities and purposes set out in the grant application
- progress on spend would be monitored on a monthly and quarterly basis
- funds not spent by 31 March 2019 would be returned to the donor

As disclosed in the Trustees' report on pages 6 to 7, following the Institute for Statecraft (IfS) IT systems being hacked during the period ended 31 March 2019, the subsequent disinformation campaign targeted against the Institute and its programmes provoked complaints to the Office of the Scottish Charity Regulator (OSCR) and resulted in an inquiry being launched by OSCR during the period. The inquiry by OSCR was completed in November 2019.

The OSCR inquiry concluded, on consideration of the facts, that the Integrity Initiative programme did not meet their formal definition of what constituted "education". In discussion on this point with OSCR, the Trustees agreed to accept this ruling and to legally separate the Integrity Initiative programme from the Charity. This has now been done and henceforth there will be no further legal connection between the two. The OSCR, in concluding its inquiry, imposed no sanctions whatsoever on the IfS, considering further action to be neither necessary nor appropriate. The OSCR did note that, in agreeing to allowing "advancing national security and defence" as a charitable objective of the IfS on its foundation, the OSCR had made an error of judgement. The Trustees therefore also agreed to submit a request to OSCR to remove that objective henceforth from the IfS' charitable objectives. This submission will be completed by 20th December 2019.

At no point in the extensive inquiry by OSCR, which was led Chris Donnelly for the IfS, assisted by the legal adviser, was it ever suggested that the Integrity Initiative's programme - which had ended in April 2019 - was done in anything except good faith, or that the funding provided for this programme by the FCO was disbursed improperly and should be addressed retrospectively.

Shared Outcomes

Shared Outcomes is a program to improve societal integration within UK Muslim communities. Between 24 November 2017 and 31 March 2019, a restricted grant was received from The Dulverton Trust for £35,200 of which £30,680 was restricted and £4,520 was unrestricted. The program also received a grant of £18,810 from the Sir John Cass Foundation, all of which was restricted.

In January 2019, the program for Shared Outcomes was discontinued due to a lack of funding available for project management. £10,110 was returned to the Sir John Cass Foundation, £66,292 was returned to the Army Covenant Fund and £31,714 was returned to the Dulverton trust. The remaining fund balance of £14 was transferred to unrestricted funds.

Notes to the accounts (cont'd)

Why NATO Matters

Why NATO Matters is an awareness and education program funded by NATO's Public Diplomacy division. It addresses community concerns about the current role of NATO in relation to its action in predominantly Muslim countries. The budgeted costs for the program are £28,772, of which NATO will contribute £18,080 and the remaining £10,692 will be paid from unrestricted funds. The first instalment of the grant from NATO of £9,463 was received during 2018 and the second instalment of £8,617 was due at 31 March 2019.

An individual event for the Why NATO Matters program was funded by NATO for £855.

Latin America, funding by Foreign and Commonwealth Office

A restricted grant of £11,595 was received to be spent on the Triangular Prisons Project which aims to disseminate information and expertise in the management of prisons between the UK, Argentina and El Salvador.

Elcano Institute

In March 2019, the first instalment of £9,149 was received as a restricted grant from Instituto Elcano for a project in partnership with NATO-OTAN to enhance awareness of security developments in NATO's southern neighbourhoods. A further £16,588 is expected between September 2019 and March 2021, depending on the speed at which milestones are reached.

Notes to the accounts (cont'd)

14. Fund reconciliation										
At 24 November 2017	180,158	4,123	14,037	0	0	0	0	198,318	56,687	255,005
Net movement in funds										
Income	(58,626)	0	148,459	1,470,750	11,595	18,080	9,149	1,599,407	610,840	2,210,247
Expenditure	(121,518)	0	(162,387)	(1,471,124)	(11,595)	(19,052)	(491)	(1,786,167)	(474,328)	(2,260,495)
Transfers	(14)	(4,123)	(109)	609	0	972	0	(2,665)	2,665	0
Total Net movement in funds	(180,158)	(4,123)	(14,037)	235	0	0	8,658	(189,425)	139,177	(50,248)
At 31 March 2019	0	0	0	235	0	0	8,658	8,893	195,864	204,757

On 31 January 2019, Shared Outcomes returned £108,117 to the donors and the program was discontinued. See Note 2 and 13 for further detail. The remaining £14 was transferred to unrestricted reserves.

The remaining balance on the Integrity Initiative (private donor) fund was transferred to unrestricted reserves, with the donor's permission.

The remaining balance on phase 1 of the Integrity Initiative was transferred to phase 2.

Notes to the accounts (cont'd)

15. Analysis of net assets between funds

	Shared Outcomes (£)	Integrity Initiative (private donor) (£)	Integrity Initiative 1 (Foreign Office donor) (£)	Integrity Initiative 2 (Foreign Office donor) (£)	Latin America (Foreign Office grant) (£)	Why NATO Matters (£)	Elcano Institute	Total restricted funds (£)	Unrestricted funds (£)	Total funds (£)
Analysis of net assets between funds at 23 Nov 2017										
Fixed Assets	0	0	0	0	0	0	0	0	11,008	11,008
Bank and cash in hand	183,768	4,123	64,901	0	0	0	0	252,792	53,592	306,384
Creditors	(3,610)	0	(50,864)	0	0	0	0	(54,474)	(7,913)	(62,387)
Total funds	180,158	4,123	14,037	0	0	0	0	198,318	56,687	255,005

	Shared Outcomes (£)	Integrity Initiative (private donor) (£)	Integrity Initiative 1 (Foreign Office donor) (£)	Integrity Initiative 2 (Foreign Office donor) (£)	Latin America (Foreign Office grant) (£)	Why NATO Matters (£)	Elcano Institute	Total restricted funds (£)	Unrestricted funds (£)	Total funds (£)
Analysis of net assets between funds at 31 Mar 2019										
Fixed assets	0	0	0	0	0	0	0	0	13,588	13,588
Bank and cash in hand	0	0	0	6,355	0	(8,617)	8,658	6,396	127,229	133,625
Debtors	0	0	0	27,638	0	8,617	0	36,255	104,813	141,068
Creditors	0	0	0	(33,758)	0	0	0	(33,758)	(49,766)	(83,524)
Total funds	0	0	0	235	0	0	8,658	8,893	195,864	204,757

	Shared Outcomes (£)	Integrity Initiative 1 (Foreign Office donor) (£)	Integrity Initiative 2 (Foreign Office donor) (£)	Latin America (Foreign Office grant) (£)	Why NATO Matters (£)	Elcano Institute	Other (£)	total (£)
16. Analysis by activity of direct charitable, support and governance costs by fund								
Direct charitable costs	119,330	162,387	1,458,460	11,595	19,076	491	333,513	2,104,852
Support costs	4,067	25,757	75,914	2,711	4,067	2,711	20,334	135,561
Governance costs	540	3,420	10,080	3,60	540	360	2,700	18,000
Analysis of charitable activities	123,937	191,564	1,544,454	14,666	23,683	3,562	356,547	2,258,413

Support costs of £135,561 and governance costs of £18,000 were reallocated according to the basis outlined in accounting policy 1.5.