

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
(A Company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

Registered Number: 03616935
Charity Number: 1073051

**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
FOR THE YEAR ENDED 31 OCTOBER 2012**

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THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 OCTOBER 2012

Trustees

Sir W G H Beach,
Dr O J Greene
The Rt Hon J Arbuthnot
Professor W Bowen
Lord Browne of Ladyton
Dr E Moreton Chair
Mr N Sims

Company Registered Number

03616935

Charity Registered Number

1073051

Registered Office

Development House
56 - 64 Leonard Street
London
EC2A 4JX

Company Secretary

Larry MacFaul

Chief Executive Officer

Andreas Persbo

Auditors

Haysmacintyre
Fairfax House
15 Fulwood Place
London
WC1V 6AY

Bankers

NatWest
Covent Garden Branch
PO Box 411
34 Henrietta Street
London
WC2E 8NN

CAF Bank Limited

Kings Hill
West Malling
Kent
ME19 4TA

Solicitors

Bircham Dyson Bell
50 Broadway
Westminster
London
SWE1H 0BL

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2012

The Trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements of the Verification Research, Training and Information Centre (VERTIC) for the year ended 31 October 2012. The Trustees confirm that the annual report and financial statements of the company comply with current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The company is constituted under a Memorandum of Association and has a registered charity number 1073051.

The company is registered as a charitable company limited by guarantee and is governed by its Memorandum and Articles of Association as incorporated on 17 August 1998. An amended version of the Articles of Association was adopted on 11 May 2012.

How the charity is constituted

The company is registered as a charitable company limited by guarantee. A Board of Directors governs the company. The non-executive directors of the charitable company are its trustees for the purpose of charity law. The Board is responsible for overall control of VERTIC's operations and meets regularly to review VERTIC's performance as well as to plan and authorize strategic decisions. The Chief Executive Officer ('Executive Director') is responsible for day-to-day administration.

Methods adopted for the recruitment and appointment of new trustees

In accordance with VERTIC's articles of association, the maximum number of Board members is determined by the company in general meeting and the minimum number in office at any given time must be three. At the Annual General Meeting on 25 February 2012 all of the existing Board members were reappointed. The Board of Directors has the power to appoint new Board members at any time up to the maximum fixed amount, currently 11 persons.

Trustee induction, training and recruitment policy

The trustees fully recognise the importance of ensuring that the governance systems for VERTIC reflect both good practice and Charity Commission guidance, and that they are also workable for VERTIC, given its staff size, resources and range of activities. In this regard, the trustees maintain their interest in improving trustee induction, training and recruitment.

Risk assessment

The trustees, in consultation with VERTIC staff, regularly review the major risks to which the company may be exposed and the efficacy of the systems and procedures established to manage such risks.

OBJECTIVES AND ACTIVITIES

Summary of the charity's objectives

The company is established:

- To conduct research and obtain information on verification, monitoring and implementation of international and intra-national agreements, arrangements and related issues; and
- To publish such information both indirectly through the media channels and directly through its own publications; and
- To conduct training in verification, monitoring and implementation of international and intra-national agreements and related issues.

Aims of the charity

VERTIC is an independent, not-for-profit, non-governmental organisation. Our mission is to support the development, implementation and effectiveness of international agreements and related regional and national initiatives. We focus on agreements and initiatives in the areas of arms control, disarmament and the environment, with particular attention to issues of monitoring, review and verification. VERTIC specialises in conducting research and analysis; providing expert advice and information; legislative assistance and cooperation; training and capacity building to governments and other stakeholders globally. We engage closely with governments, policy-makers and international organisations, as well as with the private sector and technical, academic and non-governmental communities worldwide.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

OBJECTIVES AND ACTIVITIES (continued)

Aims of the charity (continued)

On 1 October 2012, VERTIC's new strategic plan entered into force. It expires on 1 January 2016. The plan draws on the strategic review meeting held in London on 20 June 2012. The meeting noted that the Charity has grown considerably in the years since the 2009 Strategic Review was held—and that although the general economic climate is more competitive now than it was then, the organisation itself is currently in good financial health. The success of the company is partly due to the successful implementation of the previous Strategic Plan. The review meeting felt that VERTIC today is a strong organisation with a deep knowledge base. We are well established and seen to be competent. The meeting therefore recommended a continued growth strategy, and emphasised that we should seek to diversify our areas of work without losing focus of our core objective to promote effective verification, monitoring and implementation. Our intention is to continue to review the plan on an annual basis, and to plot our progress in achieving its objectives in a measurable way. The plan is expected to be followed by VERTIC's directors who are also expected to keep track of their respective programme's achievements against the plan.

The plan has two objectives:

1. By January 2016, attempt growth to 14 members of staff focusing on the verification, monitoring and implementation of international agreements or other initiatives; and
2. By the end of FY15/16, increase the annual budget to about £930,000.

Failing that, the plan calls for us to protect and preserve our current capacity, and maintain the annual budget at present levels.

Tactical approach for achieving the stated objectives

As noted above, the strategic plan is based on the findings of the 2012 Strategic Review, but has transformed our conclusions into language that is measurable. Each programme thus has a number of stated objectives, listed in order of priority. Each programme also has operational and fundraising goals.

By the end of the strategic plan, we should be able to judge how well we fulfilled our tactical objectives. Some language remains broad and open for interpretation, so we are not locking ourselves into one specific course of action. The next Strategic Review Meeting is scheduled for June 2015. Before that, the plan may be subject to annual adjustment by the Board of Trustees.

PUBLIC BENEFIT STATEMENT

The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to give due regard to the public benefit guidance published by the Charity Commission in deciding the work undertaken by the Charity.

The Trustees are satisfied that VERTIC's work is a matter of public benefit.

- Our work on the effective and efficient verification and implementation of international arms control agreements advances the resolution of conflicts as stipulated in paragraph 2.2.(h) of the 2006 Charities Act;

VERTIC continues to contribute to the nuclear disarmament debate through its work on building support for the role of intergovernmental organizations in multilateral disarmament verification. Effective verification is often seen as a problem in nuclear arms reductions. Promoting effective verification may help alleviate this perception. Lower arms levels may lower the risk that a nuclear weapon will be used or accidentally detonated. Such lower risks are to the benefit of the public. In addition, the organisation continues to promote the ratification of the so-called Additional Protocol by as many States as possible. This protocol enables the International Atomic Energy Agency to conclude that there is no undeclared nuclear material on the territory of a member State, hence increasing confidence that the state is not seeking a nuclear weapons option. This lowers the risk of the proliferation of nuclear weapons, and such lower risks are to the benefit of the public.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

PUBLIC BENEFIT STATEMENT (continued)

VERTIC's National Implementation Measures programme is helping States to adopt legislation to prevent biological weapons use, as well as rules ensuring effective control over dangerous pathogens. By helping all states to adopt a regulatory framework, in compliance with relevant international law, we help reduce the public's risk of being exposed to a biological terrorist attack and associated sickness or death. It also reviews and helps States to enact legislation on radioactive materials. Such robust national implementing measures help States to safeguard public health and safety. Since a release of dangerous pathogens or radioactive material may have cross-boundary effects, this work is of benefit to the public.

REVIEW OF ACTIVITIES IN THE YEAR

At present, VERTIC is organising its activities into two programmes: Verification and Monitoring and National Implementation Measures. The national implementation measures programme employs four people. The arms control and disarmament programme also employs four people. In addition, all programmes are supported by one full time administrator, two full time interns, and two part time volunteers.

Executive oversight

It has always been difficult to secure funds for the Executive Director and the Administrator roles. Present funding levels do not allow for the maintenance of these roles on overheads alone. We do not rule out reaching such a point in the future. However, until then the staff members occupying these roles need to be directly involved in projects, which significantly increase their workload. The present strategic plan moves the Executive Director away from direct project implementation. Instead, project implementation is envisioned to be coordinated by the two Programme Directors in close collaboration with the Executive. Similar to our 2009 plan, the present strategic plan envisages laying the foundations for an organisation where the chief executive plays the role of coordinator and ambassador rather than project worker. It aims to complete this transition by 1 January 2016.

Most plan objectives set out in the 2009 were achieved by the end of 2012. Our fundraising projections indicate that we are in a good starting position for our 2012-2016 objectives. We anticipate two new recruitments in the first quarter of 2013, and a potential third recruitment in the second quarter.

Verification and monitoring programme

The newly established verification and monitoring programme started its year with the publication of *Verification Brief No 17*, which outlines some basic components of its project on the role of intergovernmental organisations in disarmament verification. The programme presented its work at several international conferences, including the first EU non-proliferation conference held in Brussels in early February. Around the middle of the year, the programme was invited to deliver a large number of lectures, up to one per week. The programme cooperated on many occasions with the Vienna Centre for Non-proliferation and Disarmament, and is looking to deepen its collaboration with that organisation. In addition, VERTIC partnered with the Comprehensive Nuclear Test Ban Treaty Organisation through its Capacity Development Initiative, offering both support and expertise for its series of educational activities

The programme also held two events at the Preparatory Committee for the Non-Proliferation Treaty Review Conference. The first presentation highlighted our work on strengthening the role of intergovernmental organisations in disarmament verification. The other launched our work on the so-called Additional Protocol. Programme staff also travelled to Hanoi, Vietnam, to increase our footprint in that region. Substantial engagement with prospective client governments was also conducted during the September IAEA General Conference.

One programme highlight of the year was the publication '*Illicit Trafficking of Nuclear and other Radioactive Material: The Legislative Response*'. This report, the first of its kind, comprehensively surveys and analyses the legal rules in effect to combat the unlawful cross-border movement of these dangerous materials. It has entered into the required reading list of many universities around the world, and served as a useful first step to formulate our thinking on future assistance in this area. In addition, it has usefully served as a conduit for a deeper engagement with the International Atomic Energy Agency on these issues.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Verification and monitoring programme (continued)

The programme's project on the role of intergovernmental organisations in disarmament verification shows promise. Two meetings were held under the project, and several papers produced outlining the work that is required over the next decade or so. The work is continuing, and is now more focused on concrete deliverables.

The programme participated in several meetings on the verification and monitoring of prospective cyber-security norms. This included participation in a high-level cyber-security roundtable in the United Kingdom, as well as co-sponsorship of a conference in Geneva, Switzerland. This conference brought together non-governmental organisations, business entities and governments and attempted to further pin down the definition and scale of current and future cyber-security threats.

Finally, the programme held its second annual conference on verification and monitoring in all its aspects at Wilton Park, United Kingdom, during the summer. This conference is unique as it is the only forum that brings together verification practitioners from a multitude of functional areas to discuss commonly faced challenges, and exchange views on potential solutions.

National implementation measures programme

The programme had a good year. It was active in assisting several governments in the formulation of their national action plans on legislation. It also participated fully in the European Union's Centres of Excellence process, offering advice and expertise on national implementation in regards to biological and chemical weaponry, but also radioactive materials.

The programme delivered two main products, a sample act which aims to implement United Nations Security Council Resolution 1540, as well as a guide to implementation. Both products have been extensively referenced to and highlighted by the implementation community, the United Nations in particular. The programme produced several new fact sheets on national implementation.

Programme staff participated in several meetings throughout the year, including a large conference on bio-safety and bio-security as well as the biannual Congress of the International Nuclear Law Association. It also used both the Conference of the States Parties to the Chemical Weapons Convention and the Meeting of State Parties to the Biological Weapons Convention to conduct further outreach to prospective client governments. Our staff also met with several partner institutions, including the United Nations Security Council's 1540 Committee.

Towards the end of the year, VERTIC entered into collaboration with the United Nations Office on Drugs and Crime and Germany's export control agency BAFA on a project under the European Union's Centre of Excellence process. This project will continue throughout 2013.

Publications and outreach

Throughout the year, *Trust & Verify* remained on schedule. The new strategic plan also calls for the re-establishment of the *Verification Yearbook* before the end of the plan, and we envision to complete the planning process for this in 2013. The website, which is now more than a year old, continues to grow. This year saw a 13 per cent increase in the number of visits and a 24 per cent increase in the number of unique visitors compared to 2011. Our demographics are mostly focussed on the United States and Europe, with a large number of visitors from UN cities such as Geneva, Vienna and New York.

Administration and financial oversight

All restricted funds are balanced, and implementation is progressing on schedule in most projects. In 2012, the unrestricted grant balance was kept at high levels, but was declining. The organisation's grant portfolio continues to show good diversity. The salary to product ratio in most grants is adequate to recover fundraising costs.

Staffing, volunteer and internship programmes

The vulnerability to staff turnover and extended leave is now addressed in the strategic plan. This plan assumes that all staff will be given freedom to progress through the organisation's ranks as it grows, progressively assuming greater responsibilities, including managerial ones. Our strategic goal for the period is to maintain a permanent staff of at least ten individuals.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Governance

Our governance reforms are almost complete. We are still looking for board members with specialized expertise, and expect to recruit one more Trustee in 2013. Changes are now being made to the organisation's budgeting process, to reflect our two-programme structure, as well as administrative procedures. These changes aim to continue to reduce the organisation's administrative burden, freeing up staff resources for other work, as well as maintaining our overhead component at no more than 10 per cent of the annual budget.

FINANCIAL REVIEW

In 2011, the organisation showed a healthy surplus in unrestricted funds. Our aim for 2012 was to maintain this surplus on a stable level throughout the financial year. This goal was achieved. We will aim to continue to maintain the surplus throughout 2012, as some of our donors face a troubling financial situation. The organisation may also opt to invest some of the surplus in a new member of staff to explore new areas of work. We will continue to grant out a smaller proportion of our surplus to organisations we deem supportive of VERTIC's core functions.

The Executive Director and Administrator continued to work closely with the book-keeper and VERTIC's accountants to ensure that restricted and unrestricted funds are correctly attributed in the financial accounts and, in conjunction with staff, have been working to ensure an appropriate mix of restricted and unrestricted funds is raised, including by:

- 1) Developing full cost recovery budgets for project proposals submitted to funders, including overhead costs;
- 2) Seeking further unrestricted grants from a wider range of funding sources (including charitable foundations and governments);
- 3) Securing more consultancy projects for a wider range of customers and, wherever possible, ensuring that payment for such services is unrestricted funding; and
- 4) Reviewing core costs and seeking ways in which such costs can be reduced.

Investment policy and performance

The Articles of Association provide that the company invests monies not immediately required for its own purposes in or upon such investments, securities or property, as may be thought fit. At the present time, the trustees' policy is to maintain all such monies on deposit earning a market rate of interest.

Reserves policy

VERTIC seeks to maintain a level of unrestricted reserves that would be adequate to meet all current and known future liabilities. In practice, the trustees consider that holding unrestricted reserves equivalent to three months core costs or £77,831 is sufficient. As at 31 October 2012, free reserves (excluding fixed assets) amount to £115,349 (2011: £101,157)

VERTIC's income was £452,653 in the year ended 31 October 2012 compared to £822,575 for the year ended 31 October 2011. The total expenditure was £682,006 for the year ended 31 October 2012 compared to £626,944 for the year ended 31 October 2011. The fund balance carried forward at 31 October 2012 was £118,516 on unrestricted general reserves. The restricted reserves balance for on-going projects was £102,816 at 31 October 2012. The full Statement of Financial Activities is set out on page 9 of these accounts.

VERTIC holds no significant assets apart from fixtures and fittings, office and computer equipment.

Details of the restricted project funds are given in note 13 to the accounts on pages 15-16. The trustees are confident that adequate resources are available to enable completion of these projects.

PLANS FOR THE FUTURE

VERTIC will focus on some of its growth objectives in 2013. In particular, it will aim to increase capacity in both programmes by recruiting one additional staff member for Verification and Monitoring and one member for National Implementation Measures. In addition, both programmes will aim to continue their diversification of interest areas as well as continuing to ensure a broad spread of client governments and funders.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of The Verification Research, Training and Information Centre (VERTIC) for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 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.

So far as we are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

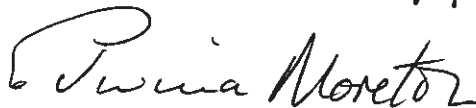
AUDITORS

A resolution proposing that haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting.

APPROVAL

The report of the Board members has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

This report was approved by the Trustees on 20/2/13..... and signed on its behalf, by:



Edwina Moreton - Chair

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

We have audited the financial statements of The Verification Research, Training and Information Centre (VERTIC) for the year ended 31 October 2012 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 October 2012 and of its 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 applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

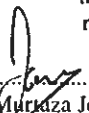
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate 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' exemption in preparing the Trustees' Report.


.....
Murtaza Jessa
(Senior Statutory Auditor)
for and on behalf of Haysmacintyre, Statutory Auditors
Date 20/02/2013.

Fairfax House
15 Fulwood Place
London
WC1V 6AY

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 OCTOBER 2012

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2012 £	Total funds 2011 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	-	33,257	33,257	33,256
Investment income		-	43	43	42
Incoming resources from charitable activities					
	3	412,927	6,426	419,353	789,277
TOTAL INCOMING RESOURCES		<u>412,927</u>	<u>39,726</u>	<u>452,653</u>	<u>822,575</u>
RESOURCES EXPENDED					
Costs of generating funds					
Generating voluntary income	5	-	3,481	3,481	3,372
Charitable activities					
Research, training and information		664,558	8,767	673,325	618,541
Governance costs					
	6	-	5,200	5,200	5,031
TOTAL RESOURCES EXPENDED		<u>664,558</u>	<u>17,448</u>	<u>682,006</u>	<u>626,944</u>
MOVEMENT IN TOTAL FUNDS FOR THE YEAR - NET (EXPENDITURE)/ INCOME FOR THE YEAR					
		(251,631)	22,278	(229,353)	195,631
Transfer between funds		8,015	(8,015)	-	-
Total funds at 1 November 2011		346,472	104,253	450,725	255,094
TOTAL FUNDS AT 31 OCTOBER 2012		<u>102,856</u>	<u>118,516</u>	<u>221,372</u>	<u>450,725</u>

There were no recognised gains or loss for 2012 and 2011 other than those included in the Statement of Financial Activities.

The notes on pages 11 to 17 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

BALANCE SHEET

AS AT 31 OCTOBER 2012

	Notes	2012		2011	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	10		3,167		3,096
CURRENT ASSETS					
Debtors	11	40,559		92,644	
Cash at bank		199,026		384,145	
		<u>239,585</u>		<u>476,789</u>	
CREDITORS: amounts falling due within one year	12	<u>(21,380)</u>		<u>(29,160)</u>	
NET CURRENT ASSETS			<u>218,205</u>		<u>447,629</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>221,372</u>		<u>450,725</u>
CHARITY FUNDS					
Restricted Funds	13		102,856		346,472
Unrestricted funds	13		118,516		104,253
			<u>221,372</u>		<u>450,725</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved and authorised for issue by the Trustees on 20/2/13 and signed on their behalf by:



Edwina Moreton
Chair

The notes on pages 11 to 17 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" issued in March 2005 and applicable accounting standards and the Companies Act 2006.

1.2 Company status

The charity is a company limited by guarantee. The members of the company are the trustees named on page 1. In the event of the company being wound up, each member is liable to contribute a sum not exceeding £1.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company 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 which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy. Income from donations and grants is included in incoming resources when these are receivable.

Donated services are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Overheads and other salaries are allocated between the expense headings on the basis of time spent.

Fund raising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Support costs are those costs incurred directly in support of expenditure on the objects of the Charity and are allocated on the proportion of direct costs spent on each activity.

Governance costs are those costs incurred in connection with enabling the charity to comply with external regulation, constitutional and statutory requirements and in providing support to the Trustees in the discharge of their statutory duties.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

All assets costing more than £500.00 are capitalised, up from £200 in the last financial year.

During the last AGM held on 16 February 2012, the Trustees agreed to change the depreciation policy on all assets of 25% on a reducing balance basis to the new policy shown below.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture and Fittings	-	25%	Straight line (over four years)
Office Equipment	-	25%	Straight line (over four years)
Computer Equipment	-	33%	Straight line (over three years)

As a consequence of the change in depreciation policy, there has been considerable increase in the amount depreciated in the year and following a full review of assets held, some disposals of assets was carried out and deemed no longer held by the charity.

1.7 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the SOFA account.

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.10 Value Added Tax

The charity is not registered for VAT. In common with many other registered charities, The Verification Research, Training and Information Centre's expenses are inflated by VAT, which cannot be recovered.

1.11 Tax status

The company is a registered charity and is not subject to corporation tax on its current activities.

2. VOLUNTARY INCOME AND CORE FUNDING

	Restricted Funds	Unrestricted Funds	Total Funds	Total Funds
	2012	2012	2012	2011
	£	£	£	£
Joseph Rowntree Charitable Trust	-	33,257	33,257	33,256
	-	33,257	33,257	33,256

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

**3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES
(Research, Training & Information)**

	Restricted Funds 2012 £	Unrestricted Funds 2012 £	Total Funds 2012 £	Total Funds 2011 £
Anonymous donors	-	(72)	(72)	49,488
Canada GPP - NIM	91,325	-	91,325	166,488
Canada GPP DFAIT - NIM	13,962	-	13,962	-
UK FCO SPF – NIM	126,489	-	126,489	214,922
UK FCO SPF – Additional Protocol	70,000	-	70,000	43,061
UK FCO SPF – Illicit trafficking	-	-	-	-
Netherlands MFA (NIM)	-	-	-	8,951
Norway MFA Multilateral Disarmament Verification	-	-	-	244,406
Norway MFA – Verification Conference	21,179	-	21,179	-
NRPA	9,060	-	9,060	8,072
Sweden MFA – Wilton Park Conference	-	-	-	14,244
Swiss MFA	(7)	-	(7)	29,243
US DOS BEP – NIM	75,729	-	75,729	10,389
US – Verification	5,190	-	5,190	-
University of Milan	-	6,489	6,489	-
Publication, yearbooks and subscriptions	-	9	9	13
	<u>412,927</u>	<u>6,426</u>	<u>419,353</u>	<u>789,277</u>

4. RESOURCES EXPENDED

	Direct Costs £	Support Costs £	2012 £	2011 £
Cost of generating voluntary income	3,326	155	3,481	3,372
Verification research, training and provision of information	643,274	30,051	673,325	618,541
Governance	4,968	232	5,200	5,031
	<u>651,568</u>	<u>30,438</u>	<u>682,006</u>	<u>626,944</u>

5. COSTS OF GENERATING VOLUNTARY INCOME

	Total funds 2012 £	Total funds 2011 £
Staff costs	3,326	3,326
Support costs	155	46
	<u>3,481</u>	<u>3,372</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

6. GOVERNANCE			Total funds 2012 £	Total funds 2011 £
Audit fees			4,968	4,962
Support costs			232	69
			<u>5,200</u>	<u>5,031</u>
7. SUPPORT COSTS	Premises Costs £	Office Costs £	2012 £	2011 £
Costs of generating voluntary income	50	105	155	46
Verification research, training and provision of information	9,724	20,327	30,051	8,451
Governance	75	157	232	69
	<u>9,849</u>	<u>20,589</u>	<u>30,438</u>	<u>8,566</u>
8. NET INCOME/(EXPENDITURE)			2012 £	2011 £
This is stated after charging:				
Depreciation of tangible fixed assets:				
- owned by the charity			2,131	3,102
Auditors' remuneration - as auditors			4,920	4,962
- other services			908	908
Pension costs			4,363	4,165
			<u>12,322</u>	<u>13,137</u>
During the year, no Trustees received any remuneration (2011 - £NIL).				
During the year, no Trustees received any benefits in kind (2011 - £NIL).				
During the year, one Trustee claimed travel expenses of £198 (2011 £1,068).				
9. STAFF COSTS			2012 £	2011 £
Staff costs were as follows:				
Wages and salaries			217,535	173,345
Social security costs			23,871	18,305
Other pension costs			4,363	4,165
			<u>245,769</u>	<u>195,815</u>
The average number of full-time equivalent staff during the year was as follows:			No.	No.
Executive Director			1	1
Administrator			1	1
Project staff			4	4
Project consultants			3	3
			<u>9</u>	<u>9</u>

No employee received remuneration amounting to more than £60,000 in either year.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

10. TANGIBLE FIXED ASSETS		Furniture and fittings £	Computer equipment £	Total £		
Cost						
At 31 October 2011		8,299	6,289	14,588		
Additions		-	2,201	2,201		
At 31 October 2012		8,299	8,490	16,789		
Depreciation						
At 31 October 2011		5,594	5,898	11,492		
Charge for the year		1,005	1,125	2,130		
At 31 October 2012		6,599	7,023	13,622		
Net Book Value						
At 31 October 2012		1,700	1,467	3,167		
At 31 October 2011		2,705	391	3,096		
11. DEBTORS			2012 £	2011 £		
Prepayments			3,628	2,112		
Accrued income			36,931	90,532		
			40,559	92,644		
12. CREDITORS: amounts falling due within one year			2012 £	2011 £		
Social security and other taxes			-	7,151		
Accruals			21,380	22,009		
			21,380	29,160		
13. STATEMENT OF FUNDS		Brought forward £	Incoming resources £	Resources Expended £	Transfers £	Carried Forward £
Unrestricted funds						
General funds		104,253	39,726	17,448	(8,015)	118,516
Restricted funds						
Arms Control and Disarmament Programme		265,452	100,232	(291,290)	8,015	82,409
National Implementation Measures Programme		81,020	312,695	(373,268)	-	20,447
Total		346,472	412,927	(664,558)	8,015	102,856

Each of the projects is described in more detail below.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

13. STATEMENT OF FUNDS (continued)

Arms Control and Disarmament Programme

Funds are being held for the implementation of several projects relating to arms control and disarmament verification. The projects relate to, *inter alia*, verified nuclear disarmament, the implementation of the IAEA Additional Protocol, and illicit trafficking of nuclear and radiological materials.

National Implementation Measures Programme

Funds are being held for continuing activities on legislative assistance in respect to the Biological Weapons Convention.

SUMMARY OF FUNDS	Brought forward £	Incoming resources £	Resources Expended £	Transfers £	Carried Forward £
General funds	104,253	39,726	(17,448)	(8,015)	118,516
Restricted funds	346,472	412,927	(664,558)	8,015	102,856
	<u>450,725</u>	<u>452,653</u>	<u>682,006</u>	<u>-</u>	<u>221,372</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2012 £	Unrestricted Funds 2012 £	Total Funds 2012 £	Total Funds 2011 £
Tangible fixed assets	-	3,167	3,167	3,096
Current assets	112,321	127,264	239,585	476,789
Creditors due within one year	(9,465)	(11,915)	(21,380)	(29,160)
	<u>102,856</u>	<u>118,516</u>	<u>221,372</u>	<u>450,725</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2012

15. OPERATING LEASE COMMITMENTS

At 31 October 2012 the company had annual commitments under non-cancellable operating leases as follows:

	2012	2011
	£	£
Expiry date:		
Less than 1 year	33,848	-
Between 1 and 2 years	-	-
Between 2 and 5 years	-	32,030
	<u> </u>	<u> </u>

16. SHARE CAPITAL

The Verification Research Training and Information Centre (VERTIC) is a company Limited by Guarantee and having no share capital. Each member is liable to contribute a sum not exceeding £1 in the event of the charity being wound up.

17. RELATED PARTY TRANSACTIONS

There were no related party transactions in year ended 31 October 2012.