

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

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2013**

**Registered Number: 03616935**  
**Charity Number: 1073051**

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**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)  
FOR THE YEAR ENDED 31 OCTOBER 2013**

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**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

**REFERENCE AND ADMINISTRATIVE INFORMATION**

**FOR THE YEAR ENDED 31 OCTOBER 2013**

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**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

**Auditor**

haysmacintyre  
26 Red Lion Square  
London  
WC1R 4AG

**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

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# THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

## TRUSTEES' REPORT

### FOR THE YEAR ENDED 31 OCTOBER 2013

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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 2013. 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 2011.

### 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 2013 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 2013

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### 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 2012 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 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 2013

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### PUBLIC BENEFIT STATEMENT (continued)

VERTIC's National Implementation Measures programme is helping States to adopt legislation to prevent biological and chemical 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. The Implementation Programme has also started work to help States adopt effective legislation on the control and protection of nuclear material and radioactive sources. By promoting strong regulation abroad, we help reduce the public's risk of being exposed to a nuclear or radiological terrorist attack and associated sickness and death. Strong regulation on radioactive sources also has health and safety benefits in recipient countries, reducing their risk of accidentally coming across harmful material. This work is to the 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 five people. The arms control and disarmament programme employs six people.

One full time administrator and one full time Executive Director support both programmes (together they form the Office of the Executive Director). Moreover, VERTIC aims to have two full time interns and two part time volunteers support its work each year. Given our growth over the year, however, we have very limited office space in our Shoreditch office to accommodate volunteers.

#### Executive oversight

It remains difficult to secure funds for the Executive Director and Administrator roles. Funding levels do not allow for the sustenance of these roles on overheads alone - neither do statutory grants in all instances appear to allow for these roles to be funded. This represents a significant challenge to the organisation: staff members occupying these roles need to be directly involved in projects, which increases their workload. As the amount of project activity has increased over the year, the executive has struggled to keep up to date with governance and oversight work. The present strategic plan continues to move the Executive Director away from direct project implementation.

Instead, we intend for project implementation to be coordinated by the Executive Director, together with the two Programme Directors. 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.

We are largely on track to fulfil our objectives under the present strategic plan. Our fundraising projections continue to indicate that we are in a good position to realise our 2013-2016 objectives. Recent payment practices of one of our funders, however, has prompted a review against Charity commission guidance on charities and public service delivery. The outcome of this review may prompt a revision of our strategic objectives. Nevertheless, we anticipate recruiting one more post in the coming year.

#### Verification and monitoring programme

The Verification and Monitoring Programme started the fiscal year with an attempt to diversify our activities, by sponsoring and attending a cyber security conference together with UNIDIR and Chatham House. The programme also participated in a task force meeting on the proposed WMD free zone in the Middle East, and a series of meetings on nuclear disarmament verification organized by the Nuclear Threat Initiative, a Washington DC based organization. We also engaged in debate on the legal standards applied by the IAEA in Iran in a commissioned series of articles for the Bulletin of Atomic Scientists.

The programme began the second quarter with a number of presentation on verification issues at three different conferences: in Berlin (21-22 February), in Washington D.C. (25-26 February) and Warrenton, Virginia (26-28 February) respectively. The programme attended the Carnegie Nuclear Policy Conference in Washington, D.C

## **THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

### **TRUSTEES' REPORT (continued)**

**FOR THE YEAR ENDED 31 OCTOBER 2013**

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#### **REVIEW OF ACTIVITIES IN THE YEAR (continued)**

##### **Verification and monitoring programme (continued)**

Work also proceeded on our Norwegian government funded project on the role of intergovernmental organisations in disarmament verification. Two project conferences were held, and we also established a number of practical work streams. The project involves five governments on three continents as well as one intergovernmental organisation. In the context of this project, the programme also started to strengthen relations with the Vienna Centre for Disarmament and Non-proliferation, a think tank based in Vienna, Austria. At the centre, we participated in lectures and training series. We have also committed funding for them to hold a series of seminars on the role of the International Atomic Energy Agency in disarmament verification.

Other activities related to the project included presentations to an ESARDA symposium during spring, an interactive debate in the United Nations Open-Ended Working Group on Disarmament, a presentation to the XIV Annual Soumenlinna Seminar and a presentation to a meeting in Reykjavik, Iceland, on 'A world free of weapons – what can Iceland and its neighbours do?' Programme staff also attended the Project on Nuclear Issues (PONI) Annual Conference 2013.

A specific highlight was a presentation alongside senior US and Russian officials in Prague hosted by the Czech Foreign Ministry. This focused on the prospects for nuclear arms control in the post-Berlin environment.

The programme continued to implement its project on strengthening adherence to the Additional Protocol by travelling to Tunis, Tunisia to participate in the Plenary Forum of Nuclear Regulatory Bodies in Africa (FNRBA). This resulted in a number of delivered or scheduled Technical Assistance Visits later in the fiscal year.

Together with Kings College London, programme staff continued to support the UK-Norway Initiative student spin-off exercise run by the University of Oslo. It also offered support to the CTBTO by participating in a number of lectures and consultations in and on the margin of the organisation's Capacity Development Initiative.

##### **National implementation measures programme**

In the beginning of the fiscal year, the programme participated in the CWC Conference of State Parties and the BWC Meeting of State Parties. It is clear that the programme continues to enjoy a very high standing in the community. Several governments went on record, thanking the programme for their help and support over the years.

In the second quarter, the programme began by making two new staff appointments. It then proceeded to attend several national implementation related events, including a biosecurity conference in Beirut on 21-24 January. It also attended a BWC workshop together with UNLirec and the BWC Implementation Support Unit on 13-16 February the EU COE project 8 kick-off meeting on 20-21 February (as the project lead agency), and the project 3 kick-off meeting in Como, Italy, on 3-5 March (as a technical project partner). In April, the programme travelled to Angola for workshops we organized together with the OPCW on BWC and CWC universality. The OPCW released a statement on the meeting, which was judged as very successful by all involved. The Angolan Foreign Minister attended the meeting and made positive statements about Angola's intention to join both treaties in the coming year.

Programme staff also attended a BWC regional workshop in Kiev, Ukraine, a EU workshop in support of BWC Action Extended Assistance Programmes in Geneva, a meeting with the EU non-proliferation consortium in Brussels, Belgium, and the IAEA Nuclear Security Conference in Vienna, Austria. They also travelled to Kuala Lumpur to participate in a Regional Workshop on National Implementation of the BWC in South and Southeast Asia. Programme staff attended the 129th Assembly of the Inter-Parliamentary Union to speak on UNSCR 1540 legislative implementation. The programme also convened the first Technical Assistance Visit under EU CBRN CoE project 8 in South-East Asia.

Bilateral technical assistance actions, including participation in workshops organized by the EU BWC Action, the OSCE and UNLirec, continued alongside these public activities.

A specific highlight was responding to Indonesia's request to prepare its gift basket for the 2014 Nuclear Security Summit: a National Legislation Implementation Kit on Nuclear Security.

## REVIEW OF ACTIVITIES IN THE YEAR (continued)

### 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 advance planning is now well underway. The website, which is now more than two years old has now settled at a certain number of visitors. This year's visitor count was broadly comparable to 2012. Our demographics are mostly focused on the United States and Europe, with a large number of visitors from UN cities such as Geneva, Vienna and New York.

Throughout the year, we updated and released our fact-sheets on national implementation measures for several conventions. Moreover, we produced four briefing papers for public consumption, namely Brief No. 19, '*Nuclear disarmament verification: the case for multilateralism*', Brief No. 20, '*Iran's nuclear fuel cycle: a technical outline*', Brief No. 21, '*The IAEA safeguards function*', and Brief No. 22, '*Chemical weapons detection: inspecting Syria*'.

### Administration and financial oversight

VERTIC experienced certain administrative challenges during the year, particularly the loss of its long-serving administrator. A new administrator was quickly recruited and the transition is now deemed complete.

While implementation has been progressing on schedule in most projects, we have started to experience situations of funder claw-back of restricted funds. In some cases, this has been in respect of legitimate expenditure that in retrospect and rather arbitrarily has been deemed unacceptable. We have commissioned an independent audit of these grants to ensure our compliance with contractual and statutory obligations and we will continue to safeguard our political independence and freedom of action in fulfilling grant objectives.

Going forward, our relationship with these funders needs to be clarified, so that risks to free reserves are mitigated. In 2013, the unrestricted funds balance was kept at high levels, but was declining. Unless resolved, certain statutory grants may represent a significant risk to the charity's reserves and its viability as a going concern. Moreover, if claw-back cannot be controlled in the coming year, reserves may be pushed well below the reserves limit. The organisation's grant portfolio continues to show good diversity. The salary to product ratio in most grants is adequate to recover fundraising costs, although full-cost recovery in future may be difficult with some of our funders.

### 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 grow the permanent staff to about 14 individuals.

## FINANCIAL REVIEW

In 2012, the organisation showed a healthy surplus in unrestricted funds. Our aim for 2013 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 2013, as some of our donors continue to face a troubling financial situation.

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.



## THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

### TRUSTEES' REPORT (continued)

#### FOR THE YEAR ENDED 31 OCTOBER 2013

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##### **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 2013, free reserves (excluding fixed assets) amount to £93,439.

VERTIC's income was £1,096,810 in the year ended 31 October 2013 compared to £452,653 for the year ended 31 October 2012. The total expenditure was £816,186 for the year ended 31 October 2013 compared to £682,006 for the year ended 31 October 2012. The fund balance carried forward at 31 October 2013 was £175,544 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £326,453 at 31 October 2013. 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 page 17. The trustees are confident that adequate resources are available to enable completion of these projects.

##### **PLANS FOR THE FUTURE**

VERTIC will continue to focus on its growth objectives in 2014. In particular, it will aim to increase capacity in National Implementation Measures programme. In addition, both programmes will aim to continue its diversification of interest areas as well as continuing to ensure a broad spread of client governments and funders. This may require one member of staff assuming the role of Deputy Executive Director, with overall responsibility for fundraising.

##### **Statement of Trustees' Responsibilities**

The Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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.

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 VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

**TRUSTEES' REPORT (continued)**

**FOR THE YEAR ENDED 31 OCTOBER 2013**

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**Statement of Trustees' Responsibilities (continue)**

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 February 2014 and signed on its behalf, by:



Edwina Moreton - Chair

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

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We have audited the financial statements of The Verification Research, Training and Information Centre (VERTIC) for the year ended 31 October 2013 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 2013 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.

  
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Murtaza Jessa

(Senior Statutory Auditor)

for and on behalf of haysmacintyre, Statutory Auditor

Date 20 February 2014.

26 Red Lion Square  
London  
WC1R 4AG

**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

**STATEMENT OF FINANCIAL ACTIVITIES**

**FOR THE YEAR ENDED 31 OCTOBER 2013**

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2013 £	Total funds 2012 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	-	34,565	34,565	33,257
Investment income		-	58	58	43
<b>Incoming resources from charitable activities</b>	3	869,120	193,067	1,062,187	419,353
<b>TOTAL INCOMING RESOURCES</b>		869,120	227,690	1,096,810	452,653
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Generating voluntary income	5	-	3,574	3,574	3,481
<b>Charitable activities</b>					
Research, training and information		686,600	118,485	805,085	673,325
<b>Governance costs</b>	6	-	7,527	7,527	5,200
<b>TOTAL RESOURCES EXPENDED</b>		686,600	129,586	816,186	682,006
<b>MOVEMENT IN TOTAL FUNDS FOR THE YEAR – NET INCOME/ (EXPENDITURE) FOR THE YEAR</b>					
		182,520	98,104	280,624	(229,353)
Transfer between funds		41,077	(41,077)	-	-
Total funds at 1 November 2012		102,856	118,516	221,372	450,725
<b>TOTAL FUNDS AT 31 OCTOBER 2013</b>		326,453	175,543	501,996	221,372

There were no recognised gains or loss for 2013 and 2012 other than those included in the Statement of Financial Activities.

The notes on pages 12 to 18 form part of these financial statements.

**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

**BALANCE SHEET**

**AS AT 31 OCTOBER 2013**

	Notes	2013		2012	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		17,112		3,167
<b>CURRENT ASSETS</b>					
Debtors	11	151,369		40,559	
Cash at bank		559,222		199,026	
		<u>710,591</u>		<u>239,585</u>	
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(255,707)</u>		<u>(21,380)</u>	
<b>NET CURRENT ASSETS</b>			<u>484,884</u>		<u>218,205</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>501,996</u>		<u>221,372</u>
<b>CHARITY FUNDS</b>					
Restricted Funds	13		326,453		102,856
Unrestricted funds	13		175,543		118,516
			<u>501,996</u>		<u>221,372</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 February 2014 and signed on their behalf by:



Edwina Moreton  
Chair

The notes on pages 12 to 18 form part of these financial statements.

**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 2013**

**1. ACCOUNTING POLICIES (continued)**

**1.6 Tangible fixed assets and depreciation**

All assets costing more than £500 are capitalised.

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)

**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**

	<b>Restricted Funds 2013 £</b>	<b>Unrestricted Funds 2013 £</b>	<b>Total Funds 2013 £</b>	<b>Total Funds 2012 £</b>
Joseph Rowntree Charitable Trust	-	34,565	34,565	33,257
	<u>-</u>	<u>34,565</u>	<u>34,565</u>	<u>33,257</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2013

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

	Restricted Funds 2013 £	Unrestricted Funds 2013 £	Total Funds 2013 £	Total Funds 2012 £
Anonymous donors	-	-	-	(72)
Canada GPP - NIM	(23,521)	-	(23,521)	91,325
Canada GPP DFAIT - NIM	172,634	-	172,634	13,962
UK FCO SPF – NIM	172,496	-	172,496	126,489
UK FCO SPF – Additional Protocol	79,669	-	79,669	70,000
EU CoE Grant – project 8	-	184,902	184,902	-
EU CoE Grant – project 3	-	5,000	5,000	-
Norway MFA Multilateral Disarmament Verification	356,937	-	356,937	-
Norway MFA – Verification Conference	-	-	-	21,179
NRPA	-	-	-	9,060
Sweden MFA – BWPP	13,841	-	13,841	-
Swiss MFA	-	-	-	(7)
US DOS BEP – NIM	38,549	-	38,549	75,729
US – Verification	58,515	-	58,515	5,190
Kings College London	-	1,750	1,750	-
BASIC	-	1,415	1,415	-
University of Milan	-	-	-	6,489
Publication, yearbooks and subscriptions	-	-	-	9
	<u>869,120</u>	<u>193,067</u>	<u>1,062,187</u>	<u>419,353</u>

4. RESOURCES EXPENDED

	Direct Costs £	Support Costs £	2013 £	2012 £
Cost of generating voluntary income	3,457	117	3,574	3,481
Verification research, training and provision of information	778,592	26,493	805,085	673,325
Governance	7,360	167	7,527	5,200
	<u>789,409</u>	<u>26,777</u>	<u>816,186</u>	<u>682,006</u>

5. COSTS OF GENERATING VOLUNTARY INCOME

	Total funds 2013 £	Total funds 2012 £
Staff costs	3,457	3,326
Support costs	117	155
	<u>3,574</u>	<u>3,481</u>



THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2013

6. GOVERNANCE			Total funds 2013 £	Total funds 2012 £
Audit fees			7,360	4,968
Support costs			167	232
			<u>7,527</u>	<u>5,200</u>
7. SUPPORT COSTS	Premises Costs £	Office Costs £	2013 £	2012 £
Costs of generating voluntary income	33	84	117	155
Verification research, training and provision of information	7,498	18,995	26,493	30,051
Governance	47	120	167	232
	<u>7,578</u>	<u>19,199</u>	<u>26,777</u>	<u>30,438</u>
8. NET INCOME/(EXPENDITURE)			2013 £	2012 £
This is stated after charging:				
Depreciation of tangible fixed assets:				
- owned by the charity			3,231	2,131
Auditor's remuneration - as auditor			5,000	4,920
- other services			840	908
Pension costs			5,115	4,363
			<u>14,186</u>	<u>12,322</u>
During the year, no Trustees received any remuneration (2012 - £NIL).				
During the year, no Trustees received any benefits in kind (2012 - £NIL).				
During the year, one Trustee claimed travel expenses of £150 (2012 £198).				
9. STAFF COSTS			2013 £	2012 £
Staff costs were as follows:				
Wages and salaries			301,147	217,535
Social security costs			33,677	23,871
Other pension costs			5,115	4,363
			<u>339,939</u>	<u>245,769</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			6	4
Project consultants			2	3
			<u>10</u>	<u>9</u>

One employee received remuneration amounting to more than £60,000 in the year. (2012: none)

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2013

10. TANGIBLE FIXED ASSETS	Furniture and fittings £	Computer equipment £	Total £
<b>Cost</b>			
At 31 October 2012	8,299	8,490	16,789
Additions	-	17,176	17,176
Disposals	-	(5,114)	(5,114)
At 31 October 2013	<u>8,299</u>	<u>20,552</u>	<u>28,851</u>
<b>Depreciation</b>			
At 31 October 2012	6,599	7,023	13,622
Charge for the year	1,006	2,225	3,231
Disposals	-	(5,114)	(5,114)
At 31 October 2013	<u>7,605</u>	<u>4,134</u>	<u>11,739</u>
<b>Net Book Value</b>			
At 31 October 2013	<u>694</u>	<u>16,418</u>	<u>17,112</u>
At 31 October 2012	<u>1,700</u>	<u>1,467</u>	<u>3,167</u>
<b>11. DEBTORS</b>			
		<b>2013</b>	<b>2012</b>
		£	£
Prepayments		4,553	3,628
Accrued income		146,816	36,931
		<u>151,369</u>	<u>40,559</u>
<b>12. CREDITORS: amounts falling due within one year</b>			
		<b>2013</b>	<b>2012</b>
		£	£
Social security and other taxes		10,857	-
Accruals and deferred income		214,850	21,380
		<u>225,707</u>	<u>21,380</u>
<b>Deferred income</b>			
Deferred income brought forward		-	-
Income deferred in the year		155,091	-
Deferred income carried forward		<u>155,091</u>	<u>-</u>

Deferred income represents funds from the United Nations where the amounts have been received in the year ended 31 October 2013 whereby the related costs will be incurred in 2013/14.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2013

13. STATEMENT OF FUNDS

	Brought forward £	Incoming resources £	Resources Expended £	Transfers £	Carried Forward £
<b>Unrestricted funds</b>					
General funds	118,516	227,690	(129,586)	(41,077)	175,543
<b>Restricted funds</b>					
Arms Control and Disarmament Programme	82,409	495,121	(294,749)	11,037	293,818
National Implementation Measures Programme	20,447	373,999	(391,851)	30,040	32,635
<b>Total</b>	<b>102,856</b>	<b>869,120</b>	<b>(686,600)</b>	<b>41,077</b>	<b>326,453</b>

Each of the projects is described in more detail below.

**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	118,516	227,690	(129,586)	(41,077)	175,543
Restricted funds	102,856	869,120	(686,600)	41,077	326,453
	221,372	1,096,810	(816,186)	-	501,996

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2013 £	Unrestricted Funds 2013 £	Total Funds 2013 £	Total Funds 2012 £
Tangible fixed assets	-	17,112	17,112	3,167
Current assets	382,293	328,298	710,591	239,585
Creditors due within one year	(55,840)	(169,867)	(225,707)	(21,380)
	326,453	175,543	501,996	221,372

**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 OCTOBER 2013**

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**15. OPERATING LEASE COMMITMENTS**

At 31 October 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013	2012
	£	£
<b>Expiry date:</b>		
Less than 1 year	-	33,848
Between 1 and 2 years	34,536	-
Between 2 and 5 years	2,315	-
	<u>36,851</u>	<u>33,848</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 2013.

**18. PENSIONS**

The charity operates a defined contribution pension scheme. The total pension cost charge represents contributions payable to the charity and amounted to £5,115 (2012: £4,363). Contributions of £575 (2012: £371) were payable to the scheme at the year end.