

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2015

Registered Number: 03616935
Charity Number: 1073051

**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
FOR THE YEAR ENDED 31 OCTOBER 2015**

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THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 OCTOBER 2015

Trustees

Sir W G H Beach, President
Dr E Moreton, Chair
Mr P Alvey, Honorary Treasurer
Professor W Bowen
Lord Browne of Ladyton
Mr O Colvile MP
Dr O J Greene
Mr S Lodgaard
Mr N Sims
Ms L Tabassi (appointed 27 July 2015)

Company Registered Number

03616935

Charity Registered Number

1073051

Registered Office

Development House
56 - 64 Leonard Street
London
EC2A 4LT

Company Secretary

Larry MacFaul

Chief Executive Officer

Andreas Persbo

Auditor

Kreston Reeves LLP
Statutory Auditor and Accountants
Third Floor, 24 Chiswell Street
London
EC1Y 4YX

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 2015

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 2015. 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 27 February 2015 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. Its mission is to support the development, implementation and effectiveness of international agreements and related regional and national initiatives, with particular attention to issues of monitoring, review and verification.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

OBJECTIVES AND ACTIVITIES (continued)

Aims of the charity (continued)

VERTIC's current strategic plan runs from 1 October 2012 to 1 January 2016. The strategic plan established measurable objectives for the Office of the Executive Director and the two substantive programmes (Verification and Monitoring; and National Implementation Measures). VERTIC conducts annual reviews of implementation and charts progress in achieving plan objectives. The Board of Trustees evaluates progress in implementing the strategic plan and may make annual adjustments to objectives in discussion with the Executive Director.

VERTIC exceeded fundraising targets in the first two years of the plan, leading to growth in annual budgets, but expenditure was scaled back to below annual budget in the third and final year of the plan. This was primarily due to the continuing budget cuts by certain funders in line with austerity measures, and the impact on cash flow of receiving some contract funds in arrears of expenditure.

A comprehensive review of the 2012-2016 strategic plan was conducted in September 2015. A new plan enters into force on 1 January 2016.

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.

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

VERTIC's work on promoting effective monitoring and review processes for international environmental agreements advances the protection of the environment as stipulated in paragraph 2.2(i) of the 2006 Charities Act.

VERTIC continues to contribute to the nuclear disarmament debate through its work in 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. VERTIC 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.

VERTIC also assists states in drafting and adopting national implementing legislation for international legal instruments concerning chemical, biological, radiological and nuclear weapons non-proliferation and disarmament. This reduces the risk that hazardous material will be deliberately misused or inadvertently released. This lowered risk is of benefit to the public.

Additionally, VERTIC researched the potential effects of a militarisation of cyberspace on civilian lives and international security and promoted international confidence-building measures in this area. This lowers the risk that military activities in cyberspace will have a negative impact on civilians, and such lower risks are to the benefit of the public. Similarly, VERTIC's work on strengthening future emission reductions and treaty review and monitoring processes help to reduce the negative impact of climate change. Such work is of benefit to the public.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

REVIEW OF ACTIVITIES IN THE YEAR

At present, VERTIC organises its activities into two programmes: Verification and Monitoring (VM) and National Implementation Measures (NIM). On average, the VM programme employed six people in 2015 while the NIM programme employed three people. We hosted three full-time interns and had two part-time volunteer consultants supporting VERTIC's work during this period.

VERTIC's Administrator, Executive Director and, from April 2015, Deputy Director provided support to both programmes (together they form the Office of the Executive Director, or OED).

Executive oversight

The OED is responsible for managing the organisation as a whole and, in conjunction with the two programmes, coordinating project implementation. A Senior Management Group (SMG), comprising the Executive Director, Deputy Director and the two programme directors, meets bi-monthly to discuss organisational management, financial matters, fund-raising and project implementation.

It remains difficult to secure funds for the Executive Director, Deputy Director and Administrator roles. This is a significant challenge to the organisation: OED staff need to be involved in projects, which increases their workload and reduces their availability to contribute to the work of the organisation as a whole. Similar to our 2012 strategic plan, the new strategic plan commencing January 2016 envisions moving management staff away from direct project implementation. While these aspirations remain, the knowledge and experience of these senior members of staff will continue to be applied to projects where necessary.

Verification and monitoring (VM) programme

The VM Programme worked on six projects, five of which continued from the previous year. The largest of these is on the role of intergovernmental organisations in nuclear disarmament verification, funded by the Norwegian government. (This is a successor project to VERTIC's involvement from 2007 to 2010 in the UK-Norway Initiative on nuclear disarmament verification, which investigated verification technologies and managed-access techniques through research and practice inspection exercises.) VERTIC's project examines the associated technical, legal and political issues, developing a toolkit of 'verification solutions', including modelling theoretical nuclear arsenals, nuclear fuel cycles and disarmament scenarios that can be used in simulation activities to test verification equipment, techniques and technologies.

VERTIC convened the sixth, and final, project meeting of the international expert group assembled to steer and review project implementation. The meeting considered VERTIC's continuing work on developing hypothetical nuclear fuel cycles and disarmament scenarios to test out verification methodologies. Staff also conducted a survey of IAEA member states' views on a role for the IAEA in disarmament verification. The project's research and findings were presented to the 2015 Review Conference the Treaty for the Non-Proliferation of Nuclear Weapons (NPT) and the IAEA's 59th General Conference.

The project produced three publications in VERTIC's Verification Matters series: Matters No. 10 'Member state views on an IAEA role in verifying nuclear disarmament; Matters No. 11 'The IAEA and nuclear disarmament verification: a primer'; and Matters No. 12 'Exploring multilateral verification of nuclear disarmament: scenarios, modelling and simulations.'

Work continued on strengthening implementation of IAEA safeguards and facilitating adherence to the Additional Protocol, funded by the UK Foreign and Commonwealth Office. The project involves promoting and providing technical support for states to adhere to the instrument, providing legislative implementation assistance and generating transparency about national implementation practices. VERTIC also convened a workshop on safeguards and the Additional Protocol in Cameroon, responded to other requests to review legislation and guidance documents, and provided assistance in developing implementation action plans.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Verification and monitoring (VM) programme (continued)

Under a related project on state approaches to national implementation of nuclear safeguards, funded by the Carnegie Corporation of New York, VERTIC worked with an information technology consultant to create a comprehensive database on national approaches to safeguards implementation, as a capacity-building tool. Implementation practice in a range of states was analysed by surveying existing legislation.

VERTIC continued its engagement with Chinese arms control NGOs and scholars by initiating a track-II UK-China technical dialogue on a range of issues, including nuclear, biological and chemical-weapons security and threat reduction. A dialogue meeting was convened in Beijing in September.

Research continued into verification issues relating to military doctrines on cyberspace, for the 'Remote Control Project', coordinated by the Oxford Research Group and funded by the Network for Social Change. The project examines current trends in the use of 'remote control warfare' by which states pursue their national security at a distance and without a large commitment of force. VERTIC carried out research on the role of cyber attacks in warfare and national security, potential effects of a militarisation of cyberspace on civilian lives and international security, and an overview of the debate on international confidence-building measures in this area, contributing two reports to the project.

A VERTIC consultant undertook work on a sustainable development project and prepared two Briefs with funding from the Rufford Foundation: Brief No. 24 'Monitoring progress towards the Sustainable Development Goals'; and Brief No. 25 'Climate change agreement: strengthening future emission reductions and treaty review and monitoring processes'. Research on sustainable tropical forest issues was carried out under a sub-contract with the Earth Innovation Institute.

VERTIC analysed verification of the Joint Comprehensive Plan of Action, under which the IAEA is to verify Iran's nuclear programme, and produced several related publications. It also published Brief no. 23 'Above and beyond: IAEA verification in Iran'. Presentations were given at workshops on nuclear verification-related issues in Austria, Germany, the UK and the US.

National Implementation Measures (NIM) programme

NIM continued to focus on providing technical assistance to strengthen national implementation of several multilateral treaties under projects funded by the governments of Canada, the United Kingdom and the United States, as well as the EU CBRN Centres of Excellence initiative. Work extended beyond the primary focus on the Biological Weapons Convention (BWC), to nuclear security legislative assistance.

Work was completed on EU CBRN Centres of Excellence (CoE) project 8, for which VERTIC is the lead agency in a consortium with BAFA (the German export control agency) and the UN Office on Drugs and Crime. A third technical assistance visit was conducted to Cambodia, Laos, Malaysia and the Philippines on CBRN legislation in November 2014, and a fourth and final visit to Cambodia and the Philippines in June 2015.

In furtherance of projects on CBRN legislative assistance funded by the Governments of Canada and the United Kingdom, VERTIC continued to provide states with an analysis of their legislative implementation of CBRN treaties and UNSCR 1540, through the preparation of surveys in English, French and Spanish. Universality packages were sent in support of states' adherence to the BWC, the Amendment to the Convention on the Physical Protection of Nuclear Material and the International Convention for the Suppression of Acts of Nuclear Terrorism.

VERTIC continued cooperation with the UN Office for Disarmament Affairs and its regional office in Latin America and the Caribbean (UNLirec) by taking part in a national roundtable and working sessions on the implementation of UN Security Council Resolution 1540, held in Jamaica in December 2014. Staff also participated in the BWC Meeting of States Parties in Geneva and the CWC Conference of States Parties in The Hague. Staff attended the Non-Proliferation Dialogue between Myanmar, the United Kingdom and the United States in Yangon, organised by the Pacific Forum CSIS.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

REVIEW OF ACTIVITIES IN THE YEAR (continued)

National Implementation Measures (NIM) programme (continued)

In early 2015 back-to-back missions were carried out in Benin, Burkina Faso and Uganda, coordinated by the EU's BWC Action, based in the BWC's Implementation Support Unit in the UN Office of Disarmament Affairs in Geneva. These missions comprised an awareness-raising workshop on the BWC and UNSCR 1540, followed by a legislative drafting workshop, both in Benin. The Uganda mission reviewed the government's Biosecurity Bill. In Burkina Faso VERTIC worked with local officials to draft a bill implementing the BWC.

VERTIC took part in a regional workshop on 'Security, the Implementation of the CWC, and Cooperative Threat Reduction in Africa', held in March in Pretoria, and organized by the African Union, the US Department of Defense's Threat Reduction Agency and the Organisation for the Prohibition of Chemical Weapons. VERTIC also contributed to a regional workshop on 'Implementation of Resolution 1540 (2004) in the Caribbean' organized Peru by UNLirec.

In August VERTIC gave a presentation on BWC national implementation at a workshop organized by the BWC Implementation Support Unit for diplomats new to the Convention. It also delivered a statement as a 'Guest of the Meeting' at the Convention's Meeting of Experts.

Presentations were made at regional workshops on UNSCR 1540 held in Croatia in June and Kenya in September. VERTIC ran a BWC legislative drafting workshop in Senegal in October 2015.

Additional legislative assistance tools were produced, including a Chinese version of VERTIC's 2014 National Legislation Implementation Kit on Nuclear Security. Representatives of the Governments of Canada and the United Kingdom briefed the UN Security Council's 1540 Committee on VERTIC's Legislative Guide to National Implementation of UN Security Council Resolution 1540 (2004). A briefing on the Kit was given by VERTIC at a side event during the 2015 Review Conference of the NPT.

VERTIC continued its watching brief on the legislative implementation of conventional weapons agreements, attending the 'Arms Trade Treaty Cooperation and Assistance Activities: Avoiding Duplication and Building Synergies' event in Geneva in June, organized by the Geneva Centre for Security Policy and the Stockholm International Peace Research Institute.

Publications and outreach

The organisation published issues 147-150 of its Trust & Verify newsletter. Lead articles addressed social media research and non-proliferation (No. 147), preventing illicit trade in dual-use items and technologies (No. 148), the NPT Review Conference outcomes (No. 149) and safeguarding the front-end of the nuclear fuel cycle No. 150).

Work on the Verification & Implementation yearbook continued. The frequency of visits to VERTIC's website remained relatively static, but the various social feeds gained following. Visitors to these sites mostly come from the United States and Europe, with large numbers from UN cities such as Geneva, Vienna and New York. The main reports published during the year were those under the project on the role of intergovernmental organisations in nuclear disarmament verification.

Administration and financial oversight

The Charity's administration ran well throughout the year. All projects ran to schedule. After over ten years with the same external auditor, a tender was issued for these services and VERTIC changed provider for the financial year ending 2015.

VERTIC continued to conserve free reserves. These are needed to be able to handle any repayments and grants that pay in arrears. The organisation's grant portfolio continued to show diversity, and the salary to product ratio in most grants remained adequate to recover fundraising costs. However, the fundraising environment remains difficult.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Staffing, volunteer and internship programmes

The strategic plan stipulates that all staff should have an opportunity to assume greater responsibilities, commensurate with their increased knowledge and experience, including promotion to managerial roles. Two members of staff were promoted. Arrangements were also made to support staff undertaking professional development through tertiary studies.

FINANCIAL REVIEW

The Executive Director and Administrator continued to work closely with the VERTIC's accountant 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, in addition to holding back the sum of salaries payable under contractual obligations and statutory redundancy pay is a sufficient minimum. The Board to Trustees maintains an aspiration to achieve six months reserves, in line with best practice. The total, £110,461, is kept under review and updated at least once a year. As at 31 October 2015, free reserves (excluding fixed assets) amount to £210,284.

VERTIC's income was £470,552 in the year ended 31 October 2015 compared to £1,295,646 for the year ended 31 October 2014. The total expenditure was £829,787 for the year ended 31 October 2015 compared to £1,148,388 for the year ended 31 October 2014. The fund balance carried forward at 31 October 2015 was £216,049 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £73,970 at 31 October 2015. The full Statement of Financial Activities is set out on page 11 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 18. The trustees are confident that adequate resources are available to enable completion of these projects.

PLANS FOR THE FUTURE

During the year ended 31 October 2015, VERTIC lost one regular funder due to a change in that funder's financing strategy. VERTIC was subsequently given warning that a second major funder would be withdrawing from the field. Both funders gave assurance that non-continuation of financial support was wholly unconnected to the value and quality of VERTIC's work. In 2016, VERTIC will focus on consolidation of its activities and the search for new funding. It will aim to increase capacity in National Implementation Measures programme. In addition, both programmes will aim to continue 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 2015

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.

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

The Board has appointed Kreston Reeves LLP, as its new statutory auditors in the year and plans to reappoint them at the next 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 ^{14th} March 2016 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)

We have audited the financial statements of The Verification Research, Training and Information Centre (VERTIC) for the year ended 31 October 2015 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 2015 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.

Emphasis of Matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.1 to the financial statements concerning the charitable company's capability to continue as a going concern. There is currently some uncertainty of new and continued funding from a variety of sources. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the charitable company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the charity was unable to continue as a going concern.

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:

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

- 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.

Kreston Reeves LLP

.....
Mr Stephen Tanner BSc (Econ) FCA
for and on behalf of Kreston Reeves LLP

24 Chiswell Street
London
EC1Y 4YX

Date *15th March, 2016*

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 OCTOBER 2015

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2015 £	Total funds 2014 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	-	35,000	35,000	35,000
Investment income		-	80	80	146
Incoming resources from charitable activities					
	3	384,654	50,818	435,472	1,260,500
TOTAL INCOMING RESOURCES		<u>384,654</u>	<u>85,898</u>	<u>470,552</u>	<u>1,295,646</u>
RESOURCES EXPENDED					
Costs of generating funds					
Generating voluntary income	5	-	3,950	3,950	3,694
Charitable activities					
Research, training and information		672,282	143,083	815,365	1,135,302
Governance costs					
	6	-	10,472	10,472	9,392
TOTAL RESOURCES EXPENDED		<u>672,282</u>	<u>157,505</u>	<u>829,787</u>	<u>1,148,388</u>
MOVEMENT IN TOTAL FUNDS FOR THE YEAR – NET INCOME/ (EXPENDITURE) FOR THE YEAR					
		(287,628)	(71,607)	(359,235)	147,258
Transfer between funds		-	-	-	-
Total funds at 1 November 2014		361,598	287,656	649,254	501,996
TOTAL FUNDS AT 31 OCTOBER 2015		<u>73,970</u>	<u>216,049</u>	<u>290,019</u>	<u>649,254</u>

There were no recognised gains or loss for 2015 and 2014 other than those included in the Statement of Financial Activities.

The notes on pages 13 to 19 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

BALANCE SHEET

AS AT 31 OCTOBER 2015

	Notes	2015		2014	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	10		5,765		9,959
CURRENT ASSETS					
Debtors	11	91,725		87,313	
Cash at bank		220,710		603,607	
		<u>312,435</u>		<u>690,920</u>	
CREDITORS: amounts falling due within one year	12	(28,181)		(51,625)	
NET CURRENT ASSETS			<u>284,254</u>		<u>639,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>290,019</u>		<u>649,254</u>
CHARITY FUNDS					
Restricted Funds	13		73,970		361,598
Unrestricted funds	13		216,049		287,656
			<u>290,019</u>		<u>649,254</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 by the board of VERTIC (Company Registration Number 03616935 (England and Wales)) and authorised for issue by the Trustees on 14th March 2016 and signed on their behalf by:


 Edwina Moreton
 Chair

The notes on pages 13 to 19 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 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis for the year ended 31 October 2015, despite current uncertainty of new and continued funding from a variety of sources (two significant funders, for different reasons have withdrawn from the area in which VERTIC works). However, the Trustees believe that sufficient funding will be received and activities will continue for the next 12 months.

The financial statements do not reflect any adjustments which would be required if the going concern assessment was not appropriate.

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 Cashflow

The financial statements do not include a Cash flow statement because the charitable charity, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2008).

1.4 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.

1.5 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.

1.6 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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

1. ACCOUNTING POLICIES (continued)

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.

1.7 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)

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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 2015 £	Unrestricted Funds 2015 £	Total Funds 2015 £	Total Funds 2014 £
Joseph Rowntree Charitable Trust	-	35,000	35,000	35,000
	-	35,000	35,000	35,000

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

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

	Restricted Funds 2015 £	Unrestricted Funds 2015 £	Total Funds 2015 £	Total Funds 2014 £
Canada GPP DFAIT - NIM	20,281	-	20,281	186,708
Carnegie Corporation New York	-	-	-	29,598
Cybersecurity	1,210	-	1,210	4,835
Earth Innovation Institute	17,513	-	17,513	-
UK FCO SPF – NIM	79,394	-	79,394	93,026
UK FCO SPF – Additional Protocol	76,309	-	76,309	85,602
UK FCO SPF – UK China	50,533	-	50,533	18,415
EU CoE Grant – project 8	-	50,818	50,818	418,615
EU CoE Grant – project 3	-	-	-	20,671
Norway MFA Multilateral Disarmament Verification	54,981	-	54,981	329,101
Sweden MFA – BWPP	-	-	-	(1,171)
Sweden MFA – FFDA	-	-	-	11,230
US DOS BEP – NIM	38,701	-	38,701	65,830
US DOS CSP – NIM	25,732	-	25,732	6,480
US – Verification	-	-	-	(15,509)
The Rufford Foundation	20,000	-	20,000	-
Kings College London	-	-	-	2,625
BASIC	-	-	-	4,444
	<u>384,654</u>	<u>50,818</u>	<u>435,472</u>	<u>1,260,500</u>

4. RESOURCES EXPENDED

	Direct Costs £	Support Costs £	2015 £	2014 £
Cost of generating voluntary income	3,500	450	3,950	3,694
Verification research, training and provision of information	722,564	92,801	815,365	1,135,302
Governance	9,280	1,192	10,472	9,392
	<u>735,344</u>	<u>94,443</u>	<u>829,787</u>	<u>1,148,388</u>

5. COSTS OF GENERATING VOLUNTARY INCOME

	Total funds 2015 £	Total funds 2014 £
Staff costs	3,500	3,500
Support costs	450	194
	<u>3,950</u>	<u>3,694</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

6. GOVERNANCE			Total funds 2015 £	Total funds 2014 £
Audit fees			9,280	8,980
Support costs			1,192	492
			<u>10,472</u>	<u>9,392</u>
7. SUPPORT COSTS	Premises Costs £	Office Costs £	2015 £	2014 £
Costs of generating voluntary income	172	278	450	194
Verification research, training and provision of information	35,359	57,442	92,801	59,547
Governance	454	738	1,192	492
	<u>35,985</u>	<u>58,458</u>	<u>94,443</u>	<u>60,233</u>
8. NET INCOME/(EXPENDITURE)			2015 £	2014 £
This is stated after charging:				
Depreciation of tangible fixed assets:				
- owned by the charity			6,417	7,153
Auditor's remuneration - as auditor			7,080	6,750
- other services			66	1,110
Pension costs			<u>5,863</u>	<u>5,708</u>
During the year, no Trustees received any remuneration (2014 - £NIL).				
During the year, no Trustees received any benefits in kind (2014 - £NIL).				
During the year, three Trustees claimed travel expenses of £1,784 (2014: one trustee £1,602).				
9. STAFF COSTS			2015 £	2014 £
Staff costs were as follows:				
Wages and salaries			341,931	377,860
Social security costs			35,286	38,801
Other pension costs			5,863	5,708
			<u>383,080</u>	<u>422,369</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			7	9
			<u>9</u>	<u>11</u>

One employee received remuneration amounting to more than £60,000 in the year. (2014: One)

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

10. TANGIBLE FIXED ASSETS	Furniture and fittings £	Computer equipment £	Total £
Cost			
At 01 November 2014	8,299	20,552	28,851
Additions	-	2,966	2,966
Disposals	-	(891)	(891)
At 31 October 2015	<u>8,299</u>	<u>22,627</u>	<u>30,926</u>
Depreciation			
At 01 November 2014	8,299	10,593	18,892
Charge for the year	-	6,417	6,417
Disposals	-	(148)	(148)
At 31 October 2015	<u>8,299</u>	<u>16,862</u>	<u>25,161</u>
Net Book Value			
At 31 October 2015	<u>-</u>	<u>5,765</u>	<u>5,765</u>
At 31 October 2014	<u>-</u>	<u>9,959</u>	<u>9,959</u>
11. DEBTORS		2015	2014
		£	£
Other debtors		35	1,071
Prepayments		3,796	4,076
Accrued income		87,894	82,166
		<u>91,725</u>	<u>87,313</u>
12. CREDITORS: amounts falling due within one year		2015	2014
		£	£
Social security and other taxes		9,158	-
Accruals and deferred income		19,023	51,625
		<u>28,181</u>	<u>51,625</u>
Deferred income			
Deferred income brought forward		-	155,901
Income deferred in the year		-	-
Income released in the year		-	(155,901)
Deferred income carried forward		<u>-</u>	<u>-</u>

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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

13. STATEMENT OF FUNDS	Brought forward £	Incoming resources £	Resources Expended £	Transfers £	Carried Forward £
Unrestricted funds					
General funds	287,656	85,898	(157,505)	-	216,049
Restricted funds					
Verification and Monitoring Programme	269,043	203,034	(421,860)	(1,980)	48,237
National Implementation Measures Programme	92,555	181,620	(250,422)	1,980	25,733
Total	361,598	384,654	(672,282)	-	73,970

Each of the projects is described in more detail below.

Verification and Monitoring 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	287,656	85,898	(157,505)	-	216,049
Restricted funds	361,598	384,654	(672,282)	-	73,970
	<u>649,254</u>	<u>470,552</u>	<u>(829,787)</u>	<u>-</u>	<u>290,019</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS	Restricted Funds 2015 £	Unrestricted Funds 2015 £	Total Funds 2015 £	Total Funds 2014 £
Tangible fixed assets	-	5,765	5,765	9,959
Current assets	89,187	223,248	312,435	690,920
Creditors due within one year	(15,217)	(12,964)	(28,181)	(51,625)
	<u>73,970</u>	<u>216,049</u>	<u>290,019</u>	<u>649,254</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2015

15. OPERATING LEASE COMMITMENTS

At 31 October 2015 the company had annual commitments under non-cancellable operating leases as follows:

Land and Building	2015	2014
	£	£
Expiry date:		
Less than 1 year	-	-
Between 1 and 2 years	36,846	39,241
Between 2 and 5 years	-	-
	<u> </u>	<u> </u>
Other operating leases	2015	2014
	£	£
Expiry date:		
Less than 1 year	-	-
Between 1 and 2 years	-	-
Between 2 and 5 years	2,315	2,315
	<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 2015.

18. PENSIONS

The charity operates a defined contribution pension scheme. The total pension cost charge represents contributions payable to the charity and amounted to £5,863 (2014: £5,708). Contributions of £2,727 (2014: £2,034) were payable to the scheme at the year end.

19. ULTIMATE CONTROLLING PARTY

The charity is under control of the Trustees.