

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

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2011**

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

**THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)  
FOR THE YEAR ENDED 31 OCTOBER 2011**

---

<b>CONTENTS</b>	<b>Pages</b>
Legal and administrative information	1
Trustees' report	2 - 7
Independent auditors' report	8
Statement of financial activities	9
Balance sheet	10
Notes to the financial statements	11 - 17

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

**REFERENCE AND ADMINISTRATIVE INFORMATION**

**FOR THE YEAR ENDED 31 OCTOBER 2011**

---

**Trustees**

Sir W G H Beach,                      Co-Chair  
Dr O J Greene                          Co-Chair  
The Rt Hon J Arbuthnot (appointed 11 May 2011)  
Professor W Bowen  
Lord Browne of Ladyton (appointed 11 May 2011)  
Dr E Moreton  
Dr R Nelson (until 11 May 2011)  
Mr N Sims

**Company Registered Number**

03616935

**Charity Registered Number**

1073051

**Registered Office**

Development House  
56 - 64 Leonard Street  
London  
EC2A 4JX

**Company Secretary**

Larry MacFaul

**Chief Executive Officer**

Andreas Persbo

**Auditors**

Haysmacintyre  
Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

**Bankers**

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

**CAF Bank Limited**

Kings Hill  
West Malling  
Kent  
ME19 4TA

**Solicitors**

Bircham Dyson Bell  
50 Broadway  
Westminster  
London  
SWE1H 0BL

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

## **TRUSTEES' REPORT**

### **FOR THE YEAR ENDED 31 OCTOBER 2011**

---

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 2011. 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 2011 all of the existing Board members resigned and were eligible for reappointment. 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 **THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)**

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

**FOR THE YEAR ENDED 31 OCTOBER 2011**

---

### **OBJECTIVES AND ACTIVITIES (continued)**

#### **Aims of the charity (continued)**

with the private sector and technical, academic and non-governmental communities worldwide.

In 2011, VERTIC's new strategic plan entered into force. In the past years, VERTIC has experienced rapid growth in resources, experience and expertise. This growth has been fuelled by our involvement in several leading initiatives: including the UK-Norway Initiative on verified dismantlement of nuclear weapons, the national implementation programme, and our work on illegal logging. Our strategic plan draws on the strategic review meeting held in London in late 2010. The intention is to review the plan on an annual basis, and to plot our progress in achieving its objectives in an objective and measurable way. The plan is expected to be followed by VERTIC's directors and senior staff, who are also expected to keep track of their respective programme's achievements against the plan.

The plan has two objectives:

1. The main objective for the plan is to consolidate the organisation's staffing and programme activities by 2012. Having placed our peace agreements programme temporarily in abeyance, we also want to preserve our environment programme and prioritise its sustainability.
2. Based on our consolidated programmes, we will attempt sustainable growth. Whenever possible, we should try to engage and tie senior personalities and proven fundraisers to the organisation, but only if their future with VERTIC rests on fairly assured grounds.

#### **Tactical approach for achieving the stated objectives**

As noted above, the strategic plan is based on the findings of the 2010 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. This is particularly the case in underfunded programmes, such as biological and chemical arms control and peace agreements.

The next strategic plan will enter into force on 1 January 2013. Therefore, the present plan will undergo review in 2012.

### **PUBLIC BENEFIT STATEMENT**

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 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;
- Our work on promoting measurable, reportable and verifiable commitments on the environment, falls within the advancement of environmental protection as stipulated in paragraph 2.2.(i) of the 2006 Charities Act.

VERTIC has made a significant contribution to the nuclear disarmament debate through its work on the UK-Norway process on nuclear warhead dismantlement verification. The UK-Norway process is a collaborative effort involving the Atomic Weapons Establishment, VERTIC, and several Norwegian research centres. It examines how a nuclear weapon state can dismantle its nuclear weapons in a transparent and accountable manner. Since 2011, VERTIC has embarked on a new project, aimed at 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.

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

### TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2011

---

#### PUBLIC BENEFIT STATEMENT (continued)

VERTIC's National Implementation Measures programme is helping States to adopt legislation to prevent biological weapons use, as well as rules ensuring effective control over dangerous pathogens. By helping all states to adopt a regulatory framework, in compliance with relevant international law, we help reduce the public's risk of being exposed to a biological terrorist attack and associated sickness or death. Robust national implementing measures help States to safeguard public health and safety.

VERTIC's environment programme's work in support of the Reducing Emissions from Deforestation and Degradation scheme aims to reduce the impact of illegal logging. The public benefits from the conservation of forests that help to absorb greenhouse gases. They also benefit from the protection of larger swathes of natural environments. The people who depend on these forests for their livelihood are direct beneficiaries.

#### REVIEW OF ACTIVITIES IN THE YEAR

At present, VERTIC is organising its activities into three programmes: arms control and disarmament, national implementation measures (NIM) and the environment. The national implementation measures programme employs four people. The arms control and disarmament programme also employs four people, and the environment programme one staff member. In addition, all programmes are supported by one full time administrator, two full time interns, and two part time volunteers.

##### Executive oversight

It has always been difficult to secure funds for the Executive Director and the Administrator roles. In order to sustain the roles on overhead alone, the organisation would need an annual budget of £650,000. Until that point is reached the staff members occupying these roles need to be directly involved in projects. This strategic plan does not foresee a major change in the role of the Executive Director. It envisages laying the foundations for an organisation where the chief executive plays the role of coordinator and ambassador rather than project worker. However, it does not purport to achieve this goal during the time span of this strategic plan.

During 2011, the organisation again significantly improved its finances. It is now close to meeting its plan objectives. . One new staff member was hired in 2011. Further recruitment is anticipated in 2012.

##### Environment programme

VERTIC's environment programme works in support of international and national efforts to improve the governance of land and resource use. This work includes promoting measures to reduce deforestation and related carbon emissions, as well as illegalities in resource allocation and use. The public benefits from lower levels of greenhouse gases and improved land management. Local communities directly benefit by having more equitable land-use arrangements and sustainable local ecosystems

##### Arms control and disarmament programme

The arms control and disarmament programme continued to expand its activities throughout the year. In addition to continuing its work on nuclear disarmament verification, it broadened its scope to also implement projects on nuclear security and the implementation of the IAEA Additional Protocol. It also carried out projects for two anonymous funders (one intergovernmental organization and one state) on practical verification applications. The organisation will continue its work on nuclear disarmament verification. It also participated in a project aimed at building confidence in South Asia through the verified dismantlement of obsolete short-range ballistic missiles. It will continue to develop regional initiatives: especially in the Middle East and South Asia. Finally, VERTIC will continue to keep a close eye on its traditional interest areas: including the CTBT and IAEA safeguards. In late 2011, the programme funded a series of reports from the review conference of the Biological Weapons Convention. In June, the programme also held a conference on multilateral verification at Wilton Park to mark VERTIC's 25<sup>th</sup> anniversary.

The programme will maintain efforts to include CBW papers in publications such as *Trust & Verify*, dedicated briefs and the *Yearbook* (preparations to restart this publication are underway). The strategic plan calls on the programme to continue to play an instrumental role in the development of the Biological Weapons Prevention Project; and to play a contributing role in the growth of the NGO CWC coalition. Efforts to fulfil both these objectives are under way.

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

### TRUSTEES' REPORT (continued)

### FOR THE YEAR ENDED 31 OCTOBER 2011

---

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

##### Arms control and disarmament programme (continued)

During 2011, the arms control and disarmament programme released almost 20 publications and presentations. In addition, its staff contributed to several external publications. The work of the programme was recognized by a senior IAEA staffer at VERTIC's 25<sup>th</sup> anniversary event on the margins of the IAEA General Conference in Vienna.

##### National implementation measures programme

Our national implementation programme has had a very successful year. Projects are well under way to meet the strategic goals set out in the plan. The 2010-2013 plan aims to consolidate the work already under way, and to bring it to a successful conclusion without putting too much pressure on the NIM staff in terms of further fundraising and consolidation. All survey targets are now almost met, alongside most assistance goals.

Several of these actions have resulted in the implementation of new legislation in the assisted states. During the 2011 BWC review conference, VERTIC was specifically mentioned several times by its partner governments across the world. The UK's ambassador to the Conference on Disarmament also highlighted several of our achievements in her remarks to VERTIC's 25<sup>th</sup> anniversary reception in Geneva.

##### Publications and outreach

Throughout the year, *Trust & Verify* remained on schedule. We also looked into options for the reconstitution of the *Verification Yearbook*. In December 2010, VERTIC launched a new website, which incorporates new content-management system software. The number of unique visitors to the site has climbed by some 35 per cent since the introduction of the site, indicating that the organization is now reaching a broader public than before. We will continue to make improvements to the site in the coming year, with a view of increasing traffic further.

##### Administration and financial oversight

All restricted funds are balanced, and implementation is progressing on schedule in most projects. In 2011, the unrestricted grant balance was kept at high levels, and even showed some moderate improvement. The organisation's grant portfolio continues to show good diversity. The salary to product ratio in most grants is adequate to recover fundraising costs.

##### Staffing, volunteer and internship programmes

At the strategic review meeting, held in 2010, staffing constraints was an issue which was raised as both a weakness and threat within VERTIC's structure. The vulnerability to staff turnover and extended leave is now addressed in the strategic plan. This plan rests on the fundamental assumption that happy and secure staff members are productive staff members. It also assumes that all staff will be given freedom to progress through the organisation's ranks, progressively assuming greater responsibilities, including managerial ones.

Our strategic goal for the period is to maintain a permanent staff of at least seven individuals. The plan also identified a need for increasing our staff to nine individuals. This goal has been achieved.

The plan also identifies the need to increase the board to some eight individuals. This goal was achieved in 2011, with the recruitment of two more members. The introduction of new articles of association in 2011 will facilitate a healthy turnover of board members. Further changes are expected in 2012.

#### FINANCIAL REVIEW

In 2010, the organisation showed a healthy surplus in unrestricted funds. Our aim for 2011 was to maintain this surplus on a stable level throughout the financial year. This goal was achieved. We will aim to continue to maintain the surplus throughout 2012, as some of our donors face a troubling financial situation. However, the organisation may also opt to invest some of the surplus in a new member of staff, to help build the environment programme to the levels of its sister programmes.

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:

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

## TRUSTEES' REPORT (continued)

### FOR THE YEAR ENDED 31 OCTOBER 2011

---

#### FINANCIAL REVIEW (continued)

- 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 (approximately £18,564 current costs) is sufficient at this time, but should be kept under review. As at 31 October 2011, free reserves (excluding fixed assets) amount to £101,557.

VERTIC's income was £822,575 in the year ended 31 October 2011 compared to £613,207 for the year ended 31 October 2010. The total expenditure was £626,944 for the year ended 31 October 2011 compared to £551,727 for the year ended 31 October 2010. The fund balance carried forward at 31 October 2011 was £104,253 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £346,472 at 31 October 2011. The full Statement of Financial Activities is set out on page 9 of these accounts.

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

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

#### PLANS FOR THE FUTURE

The environment programme did not manage to meet any of its fundraising goals in 2011. In order to preserve reserves, the staff member on the programme had to be reassigned to the arms control and disarmament programme. We could therefore not expand our work in the area to two full time staff equivalents in 2011. However we will continue to consolidate expertise in this area by focussing on forestry, and expanded forestry governance (such as legislation, law enforcement and land tenure issues). This will further the charity's role as an implementation assistance provider for interested states.

The national implementation measures programme remains under the directorship of one staff member. The organisation nearly completed its pilot phase work on illicit trafficking of nuclear and radiological materials in late 2011. It was also in close consultation with several intergovernmental organizations throughout the year, in particular the BWC Implementation Support Unit, the UN Security Council's 1540 Committee and the Organization for the Prohibition of Chemical Weapons. The programme maintained its staffing goals for 2011. The coming year will focus on consolidation of our activities in BW, as well as a full expansion into the implementation of nuclear and chemical treaties.

Our work on chemical and biological arms control and disarmament continues to suffer from a funding shortage. We raised some funds on behalf of the Bioweapons Prevention Project. We did not, however, identify any funds for own activities. We will continue this effort in 2012.

Our work in the arms control and disarmament programme in 2012 will continue to focus on two issue areas: verified nuclear disarmament and the implementation of the IAEA Additional Protocol. We grew the programme to about four full time staff equivalent by the end of 2011. In 2012, we will aim to put the arms control and disarmament programme under the directorship of an experienced arms control and disarmament expert.

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

### TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2011

---

#### PLANS FOR THE FUTURE (continued)

All programmes will benefit from an enhanced public outreach programme. We will aim to continue publication of *Trust & Verify* on schedule throughout the coming year. Also, we are continuing to work to establish a successor publication to the Verification Yearbook in 2011. One publisher has expressed tentative interest.

#### TRUSTEES' RESPONSIBILITIES

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

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

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

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

So far as we are aware:

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

#### AUDITORS

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

#### APPROVAL

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

This report was approved by the Trustees on 21/02/2012 and signed on its behalf, by:



Sir W G H Beach - Co-Chair



Dr O J Greene - Co-Chair

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

---

We have audited the financial statements of The Verification Research, Training and Information Centre (VERTIC) for the year ended 31 October 2011 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 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

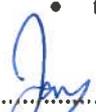
**Opinion on other matters prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Trustees' Report.

  
.....  
Murtaza Jessa  
(Senior Statutory Auditor)  
for and on behalf of Haysmacintyre, Statutory Auditors  
Date 21/02/2012

Fairfax House  
15 Fulwood Place  
London  
WC1V 6AY

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

**STATEMENT OF FINANCIAL ACTIVITIES**

**FOR THE YEAR ENDED 31 OCTOBER 2011**

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2011 £	Total funds 2010 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	-	33,256	33,256	24,942
Investment income		-	42	42	45
<b>Incoming resources from charitable activities</b>	3	722,753	66,524	789,277	588,220
<b>TOTAL INCOMING RESOURCES</b>		<u>722,753</u>	<u>99,822</u>	<u>822,575</u>	<u>613,207</u>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Generating voluntary income	5	-	3,372	3,372	2,628
<b>Charitable activities</b>					
Research, training and information		557,938	60,603	618,541	544,230
<b>Governance costs</b>	6	-	5,031	5,031	4,869
<b>TOTAL RESOURCES EXPENDED</b>		<u>557,938</u>	<u>69,006</u>	<u>626,944</u>	<u>551,727</u>
<b>MOVEMENT IN TOTAL FUNDS FOR THE YEAR – NET INCOME/ (EXPENDITURE) FOR THE YEAR</b>					
		164,815	30,816	195,631	61,480
Total funds at 1 November 2010		181,657	73,437	255,094	193,614
<b>TOTAL FUNDS AT 31 OCTOBER 2011</b>		<u>346,472</u>	<u>104,253</u>	<u>450,725</u>	<u>255,094</u>

There were no recognised gains or loss for 2011 and 2010 other than those included in the Statement of Financial Activities.

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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

BALANCE SHEET

AS AT 31 OCTOBER 2011

	Notes	2011		2010	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		3,096		6,198
<b>CURRENT ASSETS</b>					
Debtors	11	92,644		33,251	
Cash at bank		384,145		247,761	
		<u>476,789</u>		<u>281,012</u>	
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(29,160)</u>		<u>(32,116)</u>	
<b>NET CURRENT ASSETS</b>			<u>447,629</u>		<u>248,896</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>450,725</u>		<u>255,094</u>
<b>CHARITY FUNDS</b>					
Restricted Funds	13		346,472		181,657
Unrestricted funds	13		104,253		73,437
			<u>450,725</u>		<u>255,094</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 21/10/2011 and signed on their behalf by:

  
 Sir W G H Beach  
 Co-Chair

  
 Dr O J Greene  
 Co-Chair

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2011**

---

**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 2011

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

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

During the last AGM held on 16 February 2011, the Trustees agreed to change the depreciation policy on all assets of 25% on a reducing balance basis to the new policy shown below.

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

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

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

1.7 Operating leases

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

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

1.8 Foreign currencies

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

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

Exchange gains and losses are recognised in the SOFA account.

1.9 Pensions

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

1.10 Value Added Tax

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

1.11 Tax status

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

2. VOLUNTARY INCOME AND CORE FUNDING

	Restricted Funds 2011 £	Unrestricted Funds 2011 £	Total Funds 2011 £	Total Funds 2010 £
Joseph Rowntree Charitable Trust	-	33,256	33,256	24,942
	-	33,256	33,256	24,942

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2011

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

	Restricted Funds 2011 £	Unrestricted Funds 2011 £	Total Funds 2011 £	Total Funds 2010 £
Anonymous donors	-	49,488	49,488	-
Canada GPP - NIM	166,488	-	166,488	114,586
Carnegie Corporation	-	-	-	31,706
Chatham House	-	-	-	13,750
UK FCO SPF – NIM	214,922	-	214,922	151,197
UK FCO SPF – Additional Protocol	43,061	-	43,061	-
UK FCO SPF – Illicit trafficking Field	-	-	-	54,500 13,800
Ministry of Defence UK	-	-	-	25,000
Netherlands MFA - NIM Arabic lawyer	-	-	-	(45,014)
Netherlands MFA (NIM)	-	8,951	8,951	-
Norway MFA Multilateral Disarmament Verification	244,406	-	244,406	-
Norway MFA – Wilton Park Conference	-	-	-	30,613
NRPA	-	8,072	8,072	9,993
Ploughshares fund	-	-	-	22,081
Sandia Biosecurity Fund	-	-	-	41,697
Sweden MFA	-	-	-	13,764
Sweden MFA – Wilton Park Conference	14,244	-	14,244	-
Swiss MFA	29,243	-	29,243	-
US DOS BEP – NIM	10,389	-	10,389	109,126
World Resource Institute	-	-	-	1,421
Publication, yearbooks and subscriptions	-	13	13	-
	<u>722,753</u>	<u>66,524</u>	<u>789,277</u>	<u>558,220</u>

4. RESOURCES EXPENDED

	Direct Costs £	Support Costs £	2011 £	2010 £
Cost of generating voluntary income	3,326	46	3,372	2,628
Verification research, training and provision of information	610,090	8,451	618,541	544,230
Governance	4,962	69	5,031	4,869
	<u>618,378</u>	<u>8,566</u>	<u>626,944</u>	<u>551,727</u>

5. COSTS OF GENERATING VOLUNTARY INCOME

	Total funds 2011 £	Total funds 2010 £
Staff costs	3,326	2,492
Support costs	46	136
	<u>3,372</u>	<u>2,628</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2011

6. GOVERNANCE			Total funds 2011 £	Total funds 2010 £
Audit fees			4,962	4,617
Support costs			69	252
			<u>5,031</u>	<u>4,869</u>
7. SUPPORT COSTS	Premises Costs £	Office Costs £	2011 £	2010 £
Costs of generating voluntary income	19	27	46	136
Verification research, training and provision of information	3,454	4,997	8,451	28,134
Governance	28	41	69	252
	<u>3,501</u>	<u>5,065</u>	<u>8,566</u>	<u>28,522</u>
8. NET INCOME/(EXPENDITURE)			2011 £	2010 £
This is stated after charging:				
Depreciation of tangible fixed assets:				
- owned by the charity			3,102	8,783
Auditors' remuneration - as auditors			4,962	4,617
- other services			908	788
Pension costs			4,165	2,924
			<u>13,137</u>	<u>17,192</u>
During the year, no Trustees received any remuneration (2010 - £NIL).				
During the year, no Trustees received any benefits in kind (2010 - £NIL).				
During the year, four Trustees claimed travel expenses of £1,068 (2010 £1,463).				
9. STAFF COSTS			2011 £	2010 £
Staff costs were as follows:				
Wages and salaries			173,345	164,973
Social security costs			18,305	16,861
Other pension costs			4,165	2,924
			<u>195,815</u>	<u>184,758</u>
The average number of full-time equivalent staff during the year was as follows:				
			No.	No.
Executive Director			1	1
Administrator			1	1
Project staff			4	4
			<u>6</u>	<u>6</u>

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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2011

10. TANGIBLE FIXED ASSETS	Furniture and fittings £	Computer equipment £	Total £	
<b>Cost</b>				
At 31 October 2010	8,299	6,289	14,588	
Additions	-	-		
At 31 October 2011	<u>8,299</u>	<u>6,289</u>	<u>14,588</u>	
<b>Depreciation</b>				
At 31 October 2010	4,588	3,802	8,390	
Charge for the year	1,006	2,096	3,102	
At 31 October 2011	<u>5,594</u>	<u>5,898</u>	<u>11,492</u>	
<b>Net Book Value</b>				
At 31 October 2011	<u>2,705</u>	<u>391</u>	<u>3,096</u>	
At 31 October 2010	<u>3,711</u>	<u>2,487</u>	<u>6,198</u>	
<b>11. DEBTORS</b>		<b>2011</b>	<b>2010</b>	
		£	£	
Prepayments		2,112	1,565	
Accrued income		90,532	31,686	
		<u>92,644</u>	<u>33,251</u>	
<b>12. CREDITORS: amounts falling due within one year</b>		<b>2011</b>	<b>2010</b>	
		£	£	
Social security and other taxes		7,151	7,065	
Accruals		22,009	25,051	
		<u>29,160</u>	<u>32,116</u>	
<b>13. STATEMENT OF FUNDS</b>	<b>Brought forward</b>	<b>Incoming resources</b>	<b>Resources Expended</b>	<b>Carried Forward</b>
	£	£	£	£
<b>Unrestricted funds</b>				
General funds	<u>73,437</u>	<u>99,822</u>	<u>(69,006)</u>	<u>104,253</u>
<b>Restricted funds</b>				
Arms Control and Disarmament Programme	109,362	330,954	(174,864)	265,452
National Implementation Measures Programme	71,638	391,799	(382,417)	81,020
IT Project	657	-	(657)	-
Total	<u>181,657</u>	<u>722,753</u>	<u>(557,938)</u>	<u>346,472</u>

Each of the projects is described in more detail below.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2011

13. STATEMENT OF FUNDS (continued)

**Arms Control and Disarmament Programme**

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

**National Implementation Measures Programme**

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

**IT Project**

The Joseph Rowntree Charitable Trust have provided a capital grant to be used to improve the IT infrastructure at VERTIC. The value shown in the fund balance represents the net book value of those assets.

SUMMARY OF FUNDS	Brought forward £	Incoming resources £	Resources Expended £	Carried Forward £
General funds	73,437	99,822	(69,006)	104,253
Restricted funds	181,657	722,753	(557,938)	346,472
	<u>255,094</u>	<u>822,575</u>	<u>(626,944)</u>	<u>450,725</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2011 £	Unrestricted Funds 2011 £	Total Funds 2011 £	Total Funds 2010 £
Tangible fixed assets	400	2,696	3,096	6,198
Current assets	361,598	115,191	476,789	281,012
Creditors due within one year	(15,526)	(13,634)	(29,160)	(32,116)
	<u>346,472</u>	<u>104,253</u>	<u>450,725</u>	<u>255,094</u>

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

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

**FOR THE YEAR ENDED 31 OCTOBER 2011**

---

**15. OPERATING LEASE COMMITMENTS**

At 31 October 2011 the company had annual commitments under non-cancellable operating leases as follows:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Expiry date:</b>		
Less than 1 year	-	2,068
Between 1 and 2 years	-	-
Between 2 and 5 years	32,030	31,561
	<u>32,030</u>	<u>31,561</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 2011.