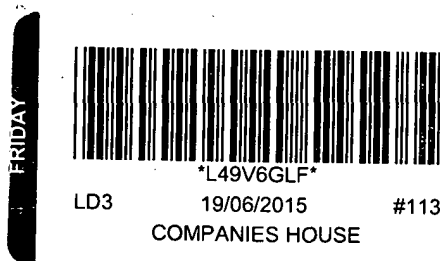


THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
(A Company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2014



Registered Number: 03616935
Charity Number: 1073051

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

FOR THE YEAR ENDED 31 OCTOBER 2014

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THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

REFERENCE AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 OCTOBER 2014

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

Company Registered Number

03616935

Charity Registered Number

1073051

Registered Office

Development House
56 - 64 Leonard Street
London
EC2A 4JX

Company Secretary

Larry MacFaul

Chief Executive Officer

Andreas Persbo

Auditor

haysmacintyre
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London
WC1R 4AG

Bankers

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

CAF Bank Limited

Kings Hill
West Malling
Kent
ME19 4TA

Solicitors

Bircham Dyson Bell
50 Broadway
Westminster
London
SWE1H 0BL

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2014

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 2014. 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 2014 all of the existing Board members were reappointed. The Board of Directors has the power to appoint new Board members at any time up to the maximum fixed amount, currently 11 persons.

Trustee induction, training and recruitment policy

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

Risk assessment

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

OBJECTIVES AND ACTIVITIES

Summary of the charity's objectives

The company is established:

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

Aims of the charity

VERTIC is an independent, not-for-profit, non-governmental organisation. Our mission is to support the development, implementation and effectiveness of international agreements and related regional and national initiatives. We focus particularly 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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

OBJECTIVES AND ACTIVITIES (continued)

Aims of the charity (continued)

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

On 1 October 2013, VERTIC's new strategic plan entered into force. It expires on 1 January 2016. The plan draws on the strategic review meeting held in London on 20 June 2013. The meeting noted that the Charity has grown considerably in the years since the 2009 Strategic Review was held—and that although the general economic climate is more competitive now than it was then, the organisation itself is currently in good financial health. The success of the charity is partly due to the successful implementation of the previous Strategic Plan. The review meeting felt that VERTIC today is a strong organisation with a deep knowledge base. We are well established and seen to be competent. The meeting therefore recommended a continued growth strategy, and emphasised that we should seek to diversify our areas of work without losing focus of our core objective to promote effective verification, monitoring and implementation. Our intention is to continue to review the plan on an annual basis, and to plot our progress in achieving its objectives in a measurable way. The plan is expected to be followed by VERTIC's programme directors who are also expected to keep track of their respective programmes' achievements against the plan.

The plan has two objectives:

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

Failing that, the plan calls for us to protect and preserve our 2010 capacity, and maintain the annual budget at 2010 levels.

Tactical approach for achieving the stated objectives

As noted above, the strategic plan is based on the findings of the 2013 Strategic Review, but has transformed our conclusions into language that is measurable. Each programme thus has a number of stated objectives, listed in order of priority. Each programme also has operational and fundraising goals.

By the end of the strategic plan, we should be able to judge how well we fulfilled our tactical objectives. Some language remains broad and open for interpretation, so we are not locking ourselves into one specific course of action. The next Strategic Review Meeting is scheduled for autumn 2015. This meeting will set the strategic objectives for 2016-2019.

PUBLIC BENEFIT STATEMENT

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

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

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

VERTIC continues to contribute to the nuclear disarmament debate through its work 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. In addition, the organisation continues to promote the ratification of the so-called Additional Protocol by as many States as possible. This protocol enables the International Atomic Energy Agency to conclude that there is no undeclared nuclear material on the territory of a member State, hence increasing confidence that the state is not seeking a nuclear weapons option. This lowers the risk of the proliferation of nuclear weapons, and such lower risks are to the benefit of the public.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

PUBLIC BENEFIT STATEMENT (continued)

VERTIC's National Implementation Measures programme is helping States adopt legislation to prevent biological and chemical weapons use, as well as rules ensuring effective control over dangerous pathogens. By helping all states to adopt a regulatory framework, in compliance with relevant international law, we help reduce the public's risk of being exposed to a biological terrorist attack and associated sickness or death. The programme also reviews and helps States to enact legislation on radioactive materials. Such robust national implementing measures help States to safeguard public health and safety. Since a release of dangerous pathogens or radioactive material may have cross-boundary effects, this work is of benefit to the public. The programme has also started work to help States adopt effective legislation on the control and protection of nuclear material and radioactive sources. By promoting strong regulation worldwide, we help reduce the public's risk of being exposed to a nuclear or radiological terrorist attack and associated sickness and death. Strong regulation of radioactive sources also has health and safety benefits in recipient countries, reducing their risk of accidentally coming across harmful material. This work is to the benefit to the public.

REVIEW OF ACTIVITIES IN THE YEAR

At present, VERTIC organises its activities into two programmes: Verification and Monitoring (VM) and National Implementation Measures (NIM). The NIM programme employed four people in 2014, while the VM programme employed six people. We aim to have two full time interns and two part time volunteers supporting VERTIC's work each year.

One full time Administrator, one full time Executive Director and from April 2015 one full time Deputy Director support both programmes (together they form the Office of the Executive Director or 'OED').

Executive oversight

It remains difficult to secure funds for the Executive Director, Deputy Director and Administrator roles. Funding levels do not allow us to support these roles on overheads alone—neither do statutory grants in all instances appear to allow for these roles to be funded. This is a significant challenge to the organisation: OED staff members need to be involved in projects, which increases their workload, and decreases their ability to contribute to the work of the organisation as a whole. The strategic plan envisions moving OED staff away from direct project implementation, and this aspiration remains. At the same time, the knowledge and experience of these senior members of staff must be applied to projects where necessary and when required.

We intend for project implementation to be coordinated by the OED, together with the two programmes. Similar to our 2009 plan, the present strategic plan envisages laying the foundations for an organisation where the Chief Executive plays the role of coordinator and ambassador rather than project worker

Mostly, we are on track to fulfil our objectives under the present strategic plan. Our fundraising projections continue to suggest we are in a good position to realise our 2014-2016 objectives. Likewise, an analysis of our productivity targets indicates that the organisation continues to perform well.

We are unlikely to achieve our targets regarding desired staffing levels. Overall fundraising continues to show remarkable results, considering the size of the organisation. However, the composition of the grant portfolio and the status of some of the contracts makes forward planning very difficult. We expected to fill one more post in 2014. Instead, we lost one member of staff and have yet to fill the vacancy (due to uncertainty in specific contracts). We intend to fill the vacancy in the coming year - bringing staffing up to 13, one person short of the intended target.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Verification and monitoring (VM) programme

The VM programme completed several activities during the year. The following paragraphs highlight main activities and are not a complete statement of the year. VM made particular progress on its project on the universalization of the International Atomic Energy Agency (IAEA) Additional Protocol—no fewer than three bilateral meetings were held in Africa. Although it remains to be seen whether these meetings will lead to the ratification of the Additional Protocol, this year has been the project's most productive since its inception.

VM conducted a two-day workshop for government stakeholders in Cote d'Ivoire just before the end of 2013. They were joined by partners from the US National Nuclear Security Administration's (NNSA) International Nuclear Safeguards Program (INSP) and the Norwegian Radiation Protection Authority (NRPA). The attendance of our international cooperative partners made it possible to deliver detailed information on the internal processes that need to be completed before a country can meet its commitments under the protocol. All relevant ministries were represented from the host country. The detailed discussions demonstrated a high level of local safeguards knowledge.

VM reiterated the approach at two following meetings. Later in the year, the programme carried out a technical assistance visit in Ethiopia. VM held this meeting in collaboration with the Ethiopian Radiation Protection Authority and involved around 22 stakeholders from safeguards-relevant government departments. The programme completed another technical assistance visit, this time to Senegal, in January 2014. We are grateful for Senegal's statement to the IAEA General Conference, which explicitly drew attention to our assistance effort.

VM staff carried out extensive desk-based research within the framework of the project. They continued work on several country surveys—these look, amongst other things, at current nuclear institutional arrangements relevant to future ratification and implementation. They survey nuclear-related laws and measures in client countries and identify lessons to inform our assistance work. VERTIC plans to pull all this information together in a dedicated database, and our plans here have already attracted international interest. For instance, VM presented on the database at the IAEA Safeguards Symposium in late 2014. We are grateful for a grant from the Carnegie Corporation of New York that will specifically help us to develop these solutions. The database will categorise and analyse safeguards implementation practice. This will be useful not only for our own activities, but also for other assistance providers active in the area, and for governments themselves.

Because of this year's successful activities, the Programme's Senior Researcher was invited to act as an instructor for a workshop at Argonne National Laboratory. This workshop ran for the benefit of a dozen countries looking to implement the IAEA Additional Protocol.

We hope that the Foreign and Commonwealth Office will continue to support our work in this area, and on this assumption continued to engage with several country delegations about their safeguards status and intentions. VM continued to coordinate its activities in this area with other providers, including the International Atomic Energy Agency.

Work continued on our multilateral verification project—and VM made progress on both the technical and political strands. Under the technical strand, the team has refined several disarmament scenarios and several quantitative nuclear fuel-cycle models for fictitious nuclear weapons states. The team has also devised procedures for running multilateral verification simulations. For the project's political strand, the team rolled out a survey on disarmament verification. This survey is aimed at all IAEA Member States and asks them to provide their views on the role of international organisations in disarmament verification activities. VM will publish the results of this survey in 2015.

The project is organised in a plenary group and several specialised working groups. Plenary Meetings are held in members' countries. VERTIC held two plenary sessions during the year: one in Cape Town and the other in Salzburg.

VM prepared seven briefing papers for the Cape Town plenary, covering a range of political and technical topics. The meeting set up three working groups: enhanced fuel-cycle modelling, scenario development, and equipment specifications. We held the first meeting of the enhanced fuel-cycle modelling working group in February at the Swedish Defence Research Agency (FOI) in Stockholm. This involved VERTIC, FOI and the Norwegian Defence Research

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Verification and monitoring (VM) programme (continued)

Agency (FFI). It resulted in a good understanding of how the SCALE software can be used for simulation purposes.

We held the second plenary at a venue near Salzburg. Most of the VM team and several external experts attended the two-day closed meeting. VERTIC staff presented papers on a range of issues including nuclear weapons states' reports to the 2014 PrepCom; disarmament verification and the IAEA; survey of member state views; nuclear fuel-cycle modelling; designing notional disarmament scenarios; verification solutions; and applying safeguards approaches to disarmament verification. The plenary established a working group on 'verification solutions'. We held the first meeting of this group a few months later, with experts from four countries attending. The group reviewed technical modelling scenarios that VERTIC has developed over the course of this year.

The project has been especially successful in the political field. It has given us the opportunity to engage with several other organisations active in the field of disarmament. In particular, we developed a strong relationship with the Vienna Centre for Disarmament and Non-proliferation (VCDNP). We funded them to hold a series of seminars on arms control and disarmament verification. This series attracted a broad line-up of high-quality speakers and was consistently well attended. The seminar on the so-called Trilateral Initiative—a three-way collaboration on disarmament verification between the IAEA, Russia and the United States in the 1990s—was particularly popular. Other meetings covered disarmament verification in Iraq and an overview of a bilateral disarmament verification research effort by the United Kingdom and the United States. We have also continued our collaboration with Wilton Park to hold an annual conference on verification. This conference series has enabled a more conceptual and academic debate on verification, which in turn has helped reinforce our continuing activities under the project.

It appears that project activities have led to a renewed debate on the IAEA's role in disarmament, which is a welcome development. Currently this discussion is held mainly amongst IAEA member states.

During the year we started a new project about bilateral engagement with China on non-proliferation and disarmament. Three meetings were held in Beijing. These pointed to a cautious enthusiasm from the Chinese side to deepen cooperation with VERTIC and its British partners. We now aim to build on our work in the coming year.

VM continued to support educational activities through the year. In November 2013 and again in April 2014, a member of staff assisted with a student simulation on the verification of warhead dismantlement held in Oslo. The exercises involved students from the Russia, South Africa and the United States. We also gave a lecture on nuclear case studies to a Summer School on Nuclear Disarmament and Non-Proliferation, at the Diplomatic Academy of Mexico.

VM worked on several smaller projects throughout the year. These included working with the British American Security Information Council (BASIC) on a Middle-East-focused project. The programme assisted with several meetings, including a March 2014 workshop on nuclear disarmament co-hosted by Cairo University. VM also presented the results of a project examining the role of robotics in verification. The Programme Director participated in the ESARDA New Approaches/New Technologies Working Group. He also delivered a presentation to the UN Secretary General's Advisory Board on Disarmament.

Finally, VM ran a small project on cyber security. The Remote Control Project looks at current trends in the use of 'remote control warfare' by which states pursue their national security at a distance and without large commitment of forces. Staff carried out research on the role of cyber attacks in warfare and national security, potential effects of a militarization of cyberspace on civilian lives and international security, and an overview of the debate on international confidence-building measures in this area.

National Implementation Measures (NIM) programme

The year was characterised by continuing activities aimed at strengthening the implementation of several international treaties. The programme still focuses mainly on the Biological Weapons Convention (BWC), but has also intensified its involvement in the chemical and nuclear fields. NIM invested much effort in our European Union (EU) funded projects

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

REVIEW OF ACTIVITIES IN THE YEAR (continued)

National Implementation Measures (NIM) programme (continued)

and the programme's work over the year has yielded good results. Programme personnel deserve special praise as they worked under reduced staffing for part of the year. Their travel schedule was sometimes extremely demanding. Another significant achievement was the programme's production of a '*National Legislation Implementation Kit on Nuclear Security*'.

In the beginning of the year, NIM conducted a two-week mission to four South East Asian countries as the first technical assistance visit under Project 8 of the EU Centres of Excellence initiative. During the mission, discussions took place on national CBRN legislation and priority areas for legislative drafting were identified. Later in the year, staff conducted another two-week mission to four South East Asian countries. During the meetings, discussions focused on reviewing and improving draft national CBRN legislation that had been identified during the first technical assistance visit.

VERTIC staff also acted as instructors in various training courses held under the initiative. The first training course was held in the spring and involved national experts from South East Asia and South and Eastern Europe. The second course was held in the summer for the benefit of officials from Libya, Tunisia and Algeria. In addition to missions, the programme participated in the annual review meeting of the project, as VERTIC is the project coordinator.

As noted above, the *Implementation Kit* constituted a large part of the programme's activities during the year. At the start of the fiscal year, NIM staff travelled to Indonesia to attend an Expert Meeting on the kit to discuss the first draft of the document. Time was subsequently spent reviewing several comments and revisions submitted by stakeholders. As part of the review process, one member of staff explained and promoted the kit during the Nuclear Security Summit Sherpa meeting's Gift Basket Information Market on 14 January 2014, in Pattaya, Thailand. The final draft of the kit was finished on 30 January 2014 and sent for translation into French and Spanish for submission by the Government of Indonesia to the Nuclear Security Summit (NSS) in The Hague, 24-25 March 2014. Twenty-nine summit nations from all regions of the world, along with the United Nations, supported the *Joint Statement on the National Legislation Implementation Kit on Nuclear Security*, which confirms that the Kit "... provides States with references to a wide array of consolidated elements and provisions contained in relevant international legal instruments and guidance documents on nuclear security that together contribute to the global framework for nuclear security." In May, the document was highlighted in a session of the UN Security Council. The kit can now be downloaded from our website in Arabic, Chinese, English, French, Portuguese, Russian and Spanish versions.

NIM staff also attended the Nuclear Knowledge Summit (NKS). The NKS was held on the margins of the NSS and brought together nuclear experts and NGO participants from all over the world to further the discussion on NSS issues.

Our work on the implementation of the Biological Weapons Convention (BWC) continued through a combination of lectures at international meetings and routine assistance missions. For instance, staff presented at the first ASEAN Microbial Biotechnology Conference in Bangkok, Thailand, discussing legislation and regulations in the field of biosafety and biosecurity in South East Asian countries.

We held workshops on the ratification and national implementation of the BWC in several countries in Asia and South America, under the EU funded and UN led BWC Action. We received several requests for legislative drafting assistance. NIM was involved in the drafting of several national bills addressing obligations in the BWC and the biological weapons-related aspects of UN Security Council Resolution 1540.

VERTIC was represented in December 2013 at the Conference of the States Parties to the Chemical Weapons Convention. NIM staff delivered a statement focusing on universality of the CWC, accountability for chemical weapons use in Syria and national implementation of the Convention.

NIM also attended the BWC Meeting of States Parties which took place in December 2013 in Geneva and participated in the EU BWC Action Working Meeting on its BWC National Implementation Guidance document. In addition to a statement during the NGO session VERTIC delivered an invited statement during the Standing Agenda Item on National Implementation, after the Chair of the session exceptionally convened an informal session to give the floor to VERTIC to present its recent work and achievements on this issue.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

REVIEW OF ACTIVITIES IN THE YEAR (continued)

National Implementation Measures (NIM) programme (continued)

NIM attended the August 2014 Meeting of Experts of the BWC in Geneva, where VERTIC gave a statement stressing the importance of reviewing and improving national implementation measures for the BWC.

NIM staff were invited to speak during the "Next Generation Workshop" preceding the third EU Non-Proliferation and Disarmament Conference, held in September in Brussels. Here our staff spoke on the legal lessons learned from the destruction of Syria's chemical weapons and on ways to strengthen international and national legal regimes for nuclear security. Two members of the NIM team also attended the EU Non-Proliferation and Disarmament Conference itself.

Finally, NIM together with VM staff attended the IAEA General Conference. The Implementation Kit was discussed at a VERTIC side event held at the Vienna Centre for Disarmament and Non-Proliferation, on 25 September.

Publications and outreach

Trust & Verify remained on schedule throughout the year. Our work on the yearbook continued. The frequency of visits to our website has remained relatively static during the year, but we have gained following on our various social feeds. Visitor demographics remain mostly focused on the United States and Europe, with a large number of visitors from UN cities such as Geneva, Vienna and New York. Our main report published during the year was the *National Legislation Implementation Kit on Nuclear Security*.

Administration and financial oversight

The Charity's administration ran well throughout the year. All projects have been running on schedule. In response to two audits in late 2013 and early 2014, the OED revisited and updated VERTIC's staff rules and policies, and the Board of Trustees brought into force an Internal Controls Policy.

In 2014, we continued to conserve free reserves. We may need reserves to be able to handle re-payments, claw-backs, or lost final instalments. The organisation's grant portfolio continued to show good diversity, and the salary to product ratio in most grants remained adequate to recover fundraising costs. The grant portfolio has declined somewhat, however, making it difficult to forecast the situation in 2015.

Staffing, volunteer and internship programmes

The vulnerability to staff turnover and extended leave is now addressed in the strategic plan. This plan assumes that all staff will be given freedom to progress through the organisation's ranks as it grows, progressively assuming greater responsibilities, including managerial ones. Two members of staff were promoted during the year.

FINANCIAL REVIEW

The Executive Director and Administrator continued to work closely with 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);

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

FINANCIAL REVIEW (continued)

- 3) Securing more consultancy projects for a wider range of customers and, wherever possible, ensuring that payment for such services is unrestricted funding; and
- 4) Reviewing core costs and seeking ways in which such costs can be reduced.

Investment policy and performance

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

Reserves policy

VERTIC seeks to maintain a level of unrestricted reserves that would be adequate to meet all current and known future liabilities. In practice, the trustees consider that holding unrestricted reserves equivalent to three months' core costs or £94,200.51 is sufficient. As at 31 October 2014, free reserves (excluding fixed assets) amount to £277,697.

VERTIC's income was £1,295,646 in the year ended 31 October 2014 compared to £1,096,810 for the year ended 31 October 2013. The total expenditure was £1,148,388 for the year ended 31 October 2014 compared to £816,186 for the year ended 31 October 2013. The fund balance carried forward at 31 October 2014 was £287,656 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £361,598 at 31 October 2014. The full Statement of Financial Activities is set out on page 12 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 19. The trustees are confident that adequate resources are available to enable completion of these projects.

PLANS FOR THE FUTURE

VERTIC will continue to focus on its growth objectives in 2015. In particular, it will aim to increase capacity in the National Implementation Measures programme. In addition, both programmes will aim to continue their diversification of interest areas as well as continuing to ensure a broad spread of client governments and funders. In order to centralise and harmonise the fundraising effort, we appointed a Deputy Director.

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 VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

Statement of Trustees' Responsibilities (continued)

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 will evaluate the charity's audit relationship with Haysmacintyre at the 2015 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 27 February 2015 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 2014 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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 to take advantage of the small companies' exemption from the requirements to prepare a Strategic Report or in preparing the Directors Report.


Murtaza Jessa

(Senior Statutory Auditor)

for and on behalf of haysmacintyre, Statutory Auditor

Date 27 February 2015.

26 Red Lion Square
London
WC1R 4AG

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 OCTOBER 2014

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2014 £	Total funds 2013 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	-	35,000	35,000	34,565
Investment income		-	146	146	58
Incoming resources from charitable activities					
	3	804,905	455,595	1,260,500	1,062,187
TOTAL INCOMING RESOURCES		804,905	490,741	1,295,646	1,096,810
RESOURCES EXPENDED					
Costs of generating funds					
Generating voluntary income	5	-	3,694	3,694	3,574
Charitable activities					
Research, training and information		770,689	364,613	1,135,302	805,085
Governance costs					
	6	-	9,392	9,392	7,527
TOTAL RESOURCES EXPENDED		770,689	377,699	1,148,388	816,186
MOVEMENT IN TOTAL FUNDS FOR THE YEAR – NET INCOME/ (EXPENDITURE) FOR THE YEAR					
		34,216	113,042	147,258	280,624
Transfer between funds		929	(929)	-	-
Total funds at 1 November 2013		326,453	175,543	501,996	221,372
TOTAL FUNDS AT 31 OCTOBER 2014		361,598	287,656	649,254	501,996

There were no recognised gains or loss for 2014 and 2013 other than those included in the Statement of Financial Activities.

The notes on pages 14 to 20 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

BALANCE SHEET

AS AT 31 OCTOBER 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Tangible fixed assets	10	9,959	17,112
CURRENT ASSETS			
Debtors	11	87,313	151,369
Cash at bank		603,607	559,222
		<u>690,920</u>	<u>710,591</u>
CREDITORS: amounts falling due within one year	12	<u>(51,625)</u>	<u>(255,707)</u>
NET CURRENT ASSETS		<u>639,295</u>	<u>454,884</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>649,254</u>	<u>501,996</u>
CHARITY FUNDS			
Restricted Funds	13	361,598	326,453
Unrestricted funds	13	287,656	175,543
		<u>649,254</u>	<u>501,996</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 27 February 2015 and signed on their behalf by:



Edwina Moreton
Chair

The notes on pages 14 to 20 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 2014

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 2014

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

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

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

1.7 Operating leases

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

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

1.8 Foreign currencies

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

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

Exchange gains and losses are recognised in the SOFA account.

1.9 Pensions

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

1.10 Value Added Tax

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

1.11 Tax status

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

2. VOLUNTARY INCOME AND CORE FUNDING

	Restricted Funds 2014 £	Unrestricted Funds 2014 £	Total Funds 2014 £	Total Funds 2013 £
Joseph Rowntree Charitable Trust	-	35,000	35,000	34,565
	-	35,000	35,000	34,565

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

(Research, Training & Information)

	Restricted Funds 2014 £	Unrestricted Funds 2014 £	Total Funds 2014 £	Total Funds 2013 £
Canada GPP - NIM	-	-	-	(23,521)
Canada GPP DFAIT - NIM	186,708	-	186,708	172,634
Carnegie Corporation New York	29,598	-	29,598	-
Cybersecurity	4,835	-	4,835	-
UK FCO SPF - NIM	101,496	(8,470)	93,026	172,496
UK FCO SPF - Additional Protocol	85,602	-	85,602	79,669
UK FCO SPF - UK China	18,415	-	18,415	-
EU CoE Grant - project 8	-	418,615	418,615	184,902
EU CoE Grant - project 3	-	20,671	20,671	5,000
Norway MFA Multilateral Disarmament Verification	329,101	-	329,101	356,937
Sweden MFA - BWPP	(1,171)	-	(1,171)	13,841
Sweden MFA - FFDA	-	11,230	11,230	-
US DOS BEP - NIM	65,830	-	65,830	38,549
US DOS CRDF - NIM	-	6,480	6,480	-
US - Verification	(15,509)	-	(15,509)	58,515
King's College London	-	2,625	2,625	1,750
BASIC	-	4,444	4,444	1,415
	<u>804,905</u>	<u>455,595</u>	<u>1,260,500</u>	<u>1,062,187</u>

4. RESOURCES EXPENDED

	Direct Costs £	Support Costs £	2014 £	2013 £
Cost of generating voluntary income	3,500	194	3,694	3,574
Verification research, training and provision of information	1,075,755	59,547	1,135,302	805,085
Governance	8,900	492	9,392	7,527
	<u>1,088,155</u>	<u>60,233</u>	<u>1,148,388</u>	<u>816,186</u>

5. COST OF GENERATING VOLUNTARY INCOME

	Total funds 2014 £	Total funds 2013 £
Staff costs	3,500	3,457
Support costs	194	117
	<u>3,694</u>	<u>3,574</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

6. GOVERNANCE			Total funds 2014 £	Total funds 2013 £
Audit and non-audit fees			8,900	7,360
Support costs			492	167
			9,392	7,527
7. SUPPORT COSTS				
	Premises Costs £	Office Costs £	2014 £	2013 £
Costs of generating voluntary income	13	181	194	117
Verification research, training and provision of information	4,083	55,464	59,547¹	26,493
Governance	34	458	492	167
	4,130	56,104	60,233	26,777
8. NET INCOME/(EXPENDITURE)			2014 £	2013 £
This is stated after charging:				
Depreciation of tangible fixed assets:				
- owned by the charity			7,153	3,231
Auditor's remuneration - as auditor			6,750	6,500
- other services			1,110	840
Pension costs			5,708	5,115
During the year, no Trustees received any remuneration (2013 - £NIL).				
During the year, no Trustees received any benefits in kind (2013 - £NIL).				
During the year, one Trustee claimed travel expenses of £1,602 (2013 £150).				
9. STAFF COSTS			2014 £	2013 £
Staff costs were as follows:				
Wages and salaries			377,860	301,147
Social security costs			38,801	33,677
Other pension costs			5,708	5,115
			422,369²	339,939
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			9	6
Project consultants			2	2
			13	10

One employee received remuneration amounting to more than £60,000 in the year. (2013: One)

¹ Greatly increased activity and travel during 2014, hence this increase in expenditure.

² Staff cost increases due to salary increases and additional staff numbers.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

10. TANGIBLE FIXED ASSETS		Furniture and fittings £	Computer equipment £	Total £
Cost				
At 31 October 2013		8,299	20,552	28,851
Additions		-	-	-
Disposals		-	-	-
At 31 October 2014		<u>8,299</u>	<u>20,552</u>	<u>28,851</u>
Depreciation				
At 31 October 2013		7,605	4,134	11,739
Charge for the year		694	6,459	7,153
Disposals		-	-	-
At 31 October 2014		<u>8,299</u>	<u>10,593</u>	<u>18,892</u>
Net Book Value				
At 31 October 2014		-	9,959	<u>9,959</u>
At 31 October 2013		<u>694</u>	<u>16,418</u>	<u>17,112</u>
11. DEBTORS			2014 £	2013 £
Other debtors			1,071	-
Prepayments			4,076	4,553
Accrued income			82,166	146,816
			<u>87,313</u>	<u>151,369</u>
12. CREDITORS: amounts falling due within one year			2014 £	2013 £
Social security and other taxes			-	10,857 ³
Accruals and deferred income			51,624	214,850
			<u>51,624</u>	<u>225,707</u>
Deferred income				
Deferred income brought forward			155,901	-
Income deferred in the year			-	155,901
Income released in the year			(155,901)	-
Deferred income carried forward			<u>-</u>	<u>155,901</u>

³ In 2013, Social security and other tax was not accrued for.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

13. STATEMENT OF FUNDS	Brought forward £	Incoming resources £	Resources Expended £	Transfers £	Carried Forward £
Unrestricted funds					
General funds	175,543	490,741	(377,699)	(929)	287,656
Restricted funds					
Verification and Monitoring Programme	293,818	452,042	(478,272)	1,455	269,043
National Implementation Measures Programme	32,635	352,863	(292,417)	(526)	92,555
Total	326,453	804,905	(770,689)	929	361,598

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	175,543	490,741	(377,699)	(929)	287,656
Restricted funds	326,453	804,905	(770,689)	929	361,598
	501,996	1,295,646	(1,148,388)	-	649,254

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS	Restricted Funds 2014 £	Unrestricted Funds 2014 £	Total Funds 2014 £	Total Funds 2013 £
Tangible fixed assets	-	9,959	9,959	17,112
Current assets	402,867	288,053	690,920	710,591
Creditors due within one year	(41,269)	(10,356)	(51,625)	(225,707)
	361,598	287,656	649,254	501,996

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 OCTOBER 2014

15. OPERATING LEASE COMMITMENTS

At 31 October 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014	2013
	£	£
Expiry date:		
Less than 1 year	-	-
Between 1 and 2 years	39,241	34,536
Between 2 and 5 years	2,315	2,315

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 company being wound up.

17. RELATED PARTY TRANSACTIONS

There were no related party transactions in year ended 31 October 2014.

18. PENSIONS

The charity operates a defined contribution pension scheme. The total pension cost charge represents contributions payable to the charity and amounted to £5,708 (2013: £5,115). Contributions of £2,034 (2013: £575) were payable to the scheme at the year end.