

Registered number: 03616935
Charity number: 1073051

The Verification Research Training and Information Centre (VERTIC)
(A company limited by guarantee)

Trustees' report and financial statements

For the year ended 31 October 2016



The Verification Research Training and Information Centre (VERTIC)
(A company limited by guarantee)

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The Verification Research Training and Information Centre (VERTIC)
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Reference and administrative details of the charity, its trustees and advisers
For the year ended 31 October 2016

Trustees

Sir W G H Beach, President
Mr P Alvey, Chair and Honorary Treasurer
Professor W Bowen (resigned 5 August 2016)
Lord Browne of Ladyton
Mr O Colvile MP
Dr O J Greene
Mr S Lodgaard
Dr E Moreton
Ms L Rockwood (appointed 13 October 2015)
Mr N Sims
Ms L Tabassi
Dr M Harries (appointed 17 February 2017)

Company registered number

03616935

Charity registered number

1073051

Registered office

Development House, 56-64 Leonard Street, London, EC2A 4LT

Company secretary

Larry MacFaul

Chief executive officer

Andreas Persbo

Independent auditors

Kreston Reeves LLP, Third Floor, 24 Chiswell Street, London, EC1Y 4YX

Bankers

NatWest, 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, SW1H 0BL

The Verification Research Training and Information Centre (VERTIC)
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Trustees' report
For the year ended 31 October 2016

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 2016, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes. 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" issues in January 2015.

Since the charity qualifies as small under section 383, the strategic report required of medium and large companies under The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

Objectives and Activities

a. Policies and objectives

The charity is established to:

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

Aims of the charity:

VERTIC is an independent, not-for-profit, non-governmental organisation. Its mission is to support the development, implementation and effectiveness of international agreements and related regional and national initiatives, with particular attention to issues of monitoring, review and verification.

VERTIC's current strategic plan runs from 1 January 2016 to 1 January 2019. The plan challenges the charity to get back to past levels of funding, to achieve a better balance of financing across its strategic priorities and a more stable mix of funders. It also calls for the director to work towards recovering from the charity's present reduced staffing levels, maintaining low overheads, and increasing the organisation's reserves amount to six months of budgeted expenditure. The plan also compels the centre to branch into new areas of research, initially conventional arms; and re-establishing it in regards to environmental agreements. Finally, the document asks the organisation to rebrand its publications and update its means of communication. VERTIC conducts annual reviews of implementation and charts progress in achieving plan objectives. The Board of Trustees evaluates progress in implementing the strategic plan and may make annual adjustments to objectives in discussion with the Executive Director.

b. Strategies for achieving objectives

In 2016, the charity experienced significant funding setbacks, brought about by a reduction or elimination of funding from the UK Foreign & Commonwealth Office as well as the Norwegian Ministry of Foreign Affairs, two long-standing and important supporters of the organisation's work. This funding uncertainty led to a significant loss of personnel. While the charity recovered towards the end of 2016, financial risks persist, which we intend to mitigate through continuing our emphasis on diversification.

Our funding difficulties in 2016 may lead to us significantly adjusting some objectives in the present strategic plan. We may, for instance, have to assume more modest expectations for our annual budget, as well as our level of staffing. The trustees are expected to review plan adherence before the financial year ends in 2017.

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Trustees' report (continued)
For the year ended 31 October 2016

c. Main activities undertaken to further the charity's purposes for the public benefit

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.

Under the current strategic plan, the charity's objectives are:

To continue to obtain information and conduct research on verification regimes deemed of interest to the charity, and to continue to offer training on verification regimes considered of interest to the charity. It also aims to continue to advance verification systems that the organisation views effective, through supporting governments and relevant institutions in their efforts to make those regimes binding on individual states. In conducting above activities, the charity aims to promote and strengthen the ability to determine whether states are keeping to their commitments under international law.

VERTIC will continue to assist governments in translating commitments undertaken in international law into national laws and regulations. We will do so through a series of technical assistance activities designed to determine, review and strengthen domestic laws and regulations, in close cooperation with willing governments and relevant intergovernmental organisations. In conducting such activities, the charity aims to promote and strengthen the rule of law in international affairs.

VERTIC may also impartially analyse and inform of cases where verification systems uncover (or may fail to uncover) possible violations of international law. We also intend to conduct our work on verification and implementation matters in an objective way and to direct the charity's affairs in a way that supports the principles enshrined in article 2 of the United Nations Charter. In conducting such activities, the charity aims to promote and strengthen state accountability in international affairs.

The activities listed in the three paragraphs above is all for the *advancement of conflict resolution*, and so is a public benefit, as defined in paragraph 2.2.(h) of the 2006 Charities Act.

VERTIC's work on promoting effective monitoring and review processes for international environmental agreements *advances the protection of the environment*, and so is a public benefit, as defined in paragraph 2.2.(i) of the 2006 Charities Act.

The Verification Research Training and Information Centre (VERTIC)
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Trustees' report (continued)
For the year ended 31 October 2016

Achievements and performance

a. Key financial performance indicators

One overriding objective for the charity is to achieve a better balance of funding across strategic priority areas and a more stable mix of funders. The strategic plan sets goals for the preferred 'balance of activity' by defining income targets. We have based those objectives on a key staffing assumption, namely that the organisation will employ between eleven and 16 members of staff. The charity's income should be commensurate with the level of staffing and the scale of activities; this means that the organisation should aim to keep an annual income of between £870k and £1.4m. As noted in the section on 'reserves policy' below, the charity raised £569,704 in the year ended 31 October 2016 and was consequently underperforming, in the last financial year, in relation to the plan.

Another key assumption is that the organisation will need to maintain a certain level of free reserves to safeguard that level of activity and guarantee the integrity of the company as a whole. The aspiration is to maintain free reserves at £170k to £280k. As noted in the section on 'reserves policy' below, the fund balance carried forward from 31 October 2016 was £171,902 on unrestricted general reserves. We met our plan objective in this regard.

b. Review of activities in the year to 31 October 2016

VERTIC organises its activities into two programmes: Verification and Monitoring (VM) and National Implementation Measures (NIM). The VM programme employed six people in Financial Year 15/16 while NIM employed four people. Both programmes were guided and supported by three members of staff: the Executive Director and his deputy, as well as the administrator (together referred to as the Office of the Executive Director, or 'OED'). We hosted four interns for three months each. We had no other volunteers supporting our work during this period.

Executive oversight:

The OED is responsible for managing the organisation as a whole and also coordinates project implementation together with the Programme Directors. A Senior Management Group (SMG), comprising the Executive Director, Deputy Director and the two programme directors, aims to meet bi-monthly to discuss organisational management, financial matters, fundraising and project implementation.

Securing funds for the Executive Director, Deputy Director and Administrator roles remains a challenge to the organisation. OED staff often need to be involved in projects, which increases their workload and reduces their availability to contribute to the work of the organisation as a whole. Similar to our 2012 strategic plan, the new strategic plan commencing January 2016 envisions moving management staff away from direct project implementation. This aspiration is unlikely to be fulfilled.

Verification and monitoring (VM) programme:

The Verification and Monitoring Programme worked on thirteen projects throughout the year. It carried over five of these projects from the previous financial year, and they were all closed throughout 2016. The programme agreed eight new projects, to be completed in 2017.

The environment:

In March 2016, VERTIC received a grant from the Rufford Foundation to carry out exploratory work on Sustainable Development issues. The grant allows us to carry out some limited work on climate change, deforestation as well as the UN Sustainable Development Goals (SDGs).

In April 2016, the programme finished its work on accelerating low-emission rural development (LED-R). This development model emphasises climate change mitigation and adaptation. VERTIC collaborated with the Earth Innovation Institute, under their project funded by the Norwegian Agency for Development Cooperation (NORAD).

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Trustees' report (continued)
For the year ended 31 October 2016

b. Review of activities in the year to 31 October 2016 (continued)

Activities including the participating in general Sustainable Tropics Initiative meetings, teleconferences and other consultation and coordination processes. VERTIC took the lead on United Nations Framework Convention on Climate Change (UNFCCC) issues, aiming to identify opportunities to advance LED-R in the UNFCCC negotiations and other relevant UN events or processes. We are presently not funded to continue this work.

Nuclear security:

In August and September 2016, VERTIC received funding from the US-based Nuclear Threat Initiative (NTI) as well as the Dutch Ministry of Foreign Affairs to conduct work on a 'Consolidated Nuclear Security Report', initially gifted to the Nuclear Security Summit by the Dutch government. The project aims to highlight the value of the report and share relevant reporting experiences among developed and developing states. It also seeks to encourage developing states to use the report to strengthen and build confidence in their implementation of nuclear security.

Nuclear safeguards:

In late 2015, the programme completed a project on nuclear safeguards, conducted under a grant from the Carnegie Corporation of New York. The project aimed to build a knowledge base on State practice in implementing the Additional Protocol and safeguards. This tool will allow States and other stakeholders to learn from each other, access expert analysis and identify new and efficient approaches to implementation. Most of the project aimed to put in place necessary Filemaker Pro database structures and to implement some of the functions that required more in-depth programming expertise. VERTIC holds a repository of about 35 national surveys. The database includes around eight of these. The conversion of older surveys to the new template and population of the database is ongoing, with the aim of converting all surveys and beginning a new set of surveys as soon as resources are available. We are presently not funded to continue this work.

In May 2016, the programme completed its work on nuclear safeguards assistance, conducted under a grant from the UK Foreign & Commonwealth Office. The project intended to facilitate and provide sustainable support for universal ratification and implementation of the current verification standard in nuclear non-proliferation: a Comprehensive Safeguards Agreement (CSA) and Additional Protocol (AP). Our activities started in 2013. In 2015, it saw clear progression towards ratification and implementation of the Additional Protocol in two countries with which VERTIC has intensively engaged. A third country, also engaged with through the project, made progress towards ratification.

The Foreign & Commonwealth Office, however, decided to mostly withdraw funding from this initiative, choosing instead to supply some funding on an ad-hoc basis (see next paragraph). Our new arrangement with this funder resulted in both implementation difficulties, as planning activities with partner countries became challenging. It also led to turnover of staff.

In August and September 2016, the Foreign & Commonwealth Office awarded three grants designed to enable us to continue our work on nuclear safeguards assistance. The first grant seeks to prevent the proliferation of nuclear weapons and strengthen the international safeguards regime by facilitating the adherence to and implementation of the current standard of IAEA safeguards in West Africa, while the second looks at East Asia. Both projects envision collaboration with the US International Nuclear Safeguards Engagement Programme (INSEP). The third project is more research oriented and seeks to identify and deliver best practices in the implementation of IAEA safeguards among partner states.

UK-China technical exchange on arms control:

In May 2016, we closed our UK-China Technical Exchange due to lack of funding. The project aimed to shape the debate on CBRN security in the United Kingdom and China by running a technical dialogue established by VERTIC and China's Arms Control and Disarmament Association in November 2014.

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Trustees' report (continued)
For the year ended 31 October 2016

b. Review of activities in the year to 31 October 2016 (continued)

VERTIC held two further meetings in 2015 and 2016 (in Beijing and London), establishing the relationships necessary to move forward to the establishment of one or more joint UK-China technical projects. Both British and Chinese participants voiced their desire for continued and deeper engagement and to develop joint technical security projects. The process did identify collaboration on good governance criteria for biological R&D with our Chinese colleagues. The exchange also generated a few other collaborative project concepts for which we are also seeking funding. Since the Foreign & Commonwealth Office is no longer supporting the process, other sources of finance will need to be found to facilitate this engagement.

Conventional arms:

In September 2016, the US State Department awarded the VM programme a grant to conduct work on the 'Open Skies' Treaty. The project investigates the technical, policy and legal implications of the application of a new suite of sensors for Open Skies purposes, with particular attention on infrared and radar imaging technologies for treaty application. It also examines the impact of open skies imaging on national security. The project is scheduled to end in 2018.

Nuclear disarmament:

In January 2016, the VM programme closed its four-year effort to build multilateral support for nuclear disarmament verification. The project aimed to investigate means to generate support for a future role of the International Atomic Energy Agency (IAEA) in nuclear disarmament verification. It also aspired to explore what capacity-building or institutional reorganisation would be required should the IAEA become an accredited body for independent verification for nuclear weapons reductions worldwide. Over its lifetime, the multilateral disarmament project delivered 31 presentations, wrote 31 working papers and four public reports. It held four substantive conferences and involved 57 researchers from seven countries, one intergovernmental organisation and four nongovernmental organisations. Five researchers were not affiliated with an institution. The closing of the multilateral disarmament project led to financial uncertainty and contributed to the turnover of staff (see 'nuclear safeguards' above).

However, in September 2016, the Norwegian Ministry resumed funding our work on disarmament. Under our new grant, VERTIC will seek to examine the conditions for a network of nuclear disarmament verification experts. It will also consider the wider international enabling environment for disarmament verification R&D and capacity-growth, within which such a network would operate. The project will run into 2017.

National Implementation Measures (NIM) programme:

The NIM programme worked on eight projects throughout the year. It carried over four of these projects from the previous financial year, and they were all closed throughout 2016. The programme agreed five new projects, scheduled to complete in 2017.

In January 2016, we agreed on a grant with the Canadian government to do work in Latin America and the Caribbean. This new project will be undertaken in at least five countries in Latin American and the Caribbean. Activities include informing and educating government officials and other stakeholders regarding their obligations under UNSCR 1540. Moreover, the project aims to build buy-in and a willingness among these states to co-operate on UNSCR 1540 legislative gap analyses. It also will undertake comprehensive UNSCR 1540 legislative gap analyses and provide focused and individually tailored UNSCR 1540 legal assistance. At the same time, we closed out our previous grant with the Canadian government. This project provided focused and individually tailored support to selected countries in Latin America and Southeast Asia. The project intended to make demonstrable progress towards drafting, adopting and implementing measures to fulfil their obligations under UNSCR 1540 and related CBRN treaties. It also intended to assist other countries in adhering to the Biological Weapons Convention (BWC), Chemical Weapons Convention (CWC), amended Convention on the Physical Protection of Nuclear Material (CPPNM/A) and International Convention for the Suppression of Acts of Nuclear Terrorism (ICSANT). The project carried out 37 legislative assistance actions. Moreover, NIM staff published 30 articles, chapters, reports or blog posts on UNSCR 1540 and related treaty topics.

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Trustees' report (continued)
For the year ended 31 October 2016

b. Review of activities in the year to 31 October 2016 (continued)

In February and June 2016 we closed out our grants with the US State Department through their Chemical Security Program (CSP) and the Biosecurity Engagement Program (BEP). The BEP project included the provision of biosecurity regulatory analyses for seven countries in South Asia, Africa, Latin America and Eastern Europe. The CSP project included chemical security regulatory review for two states.

In June 2016, we closed our previous grant with the Foreign & Commonwealth Office and agreed on a new one. The closed project aimed to support States to adhere to the BWC, CWC and certain international instruments relating to nuclear security, and to support States to make demonstrable progress towards drafting and adopting implementing legislation and national action plans to fulfil their obligations under these legal instruments and UNSCR 1540. The new project has a similar scope, as it aims to assist States to develop and adopt the necessary laws and regulations to implement their obligations under the BWC and the CWC, as well as the related provisions of UN Security Council Resolution 1540. The project, consequently, intends to introduce appropriate controls over dual-use material, reduce the risk of biological and chemical terrorism and prevent and punish the proliferation of biological and chemical weapons. Given funding cutbacks from the Foreign & Commonwealth Office, the project can no longer cover on nuclear security instruments. We are exploring options for resuming these activities under another funder.

In August 2016, the Dutch government agreed to provide funding for our work on implementation. This project involved the preparation of an analytical report on the status and effectiveness of Biological and Toxin Weapons Convention (BWC) states parties' implementing legislation, drawing on VERTIC's legislation surveys for 145 countries. It also proposed to develop an online legislative drafting tool for the BWC, drawing on VERTIC's "Sample Act" for the BWC and other assistance tools. This project will run into the second quarter of 2017.

Finally, also in August 2016, we joined forces with other UK organisations to implement CBRN Project 53, funded by the European Commission. The overall objective is to enhance biosafety and biosecurity capacities within the Central Asia region. VERTIC's principal role in the project is to aid in the assessment and revision of the national legislation and best practices in the area of biosafety and biosecurity, and harmonisation with the appropriate international regulations such as IHR, BTWC and *Codex Alimentarius*, including the area of regional emergency response with the aim of coming to a "One Health" system.

c. 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.

d. Factors relevant to achieve objectives

Our projects are presently aligned with the charity's strategic priorities. VERTIC is continuing to seek opportunities to broaden its scope of activities to cover the full spectrum of issue areas proposed in its strategic plan and to diversify its funding base (see 'principal funding', below, for a description of the present donor base).

The Verification Research Training and Information Centre (VERTIC)
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Trustees' report (continued)
For the year ended 31 October 2016

Financial review

a. Going concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

b. Reserves policy

VERTIC seeks to maintain a level of unrestricted reserves that would be adequate to meet all current and known future liabilities. In practice, the Trustees consider that holding unrestricted reserves equivalent to three months core costs, in addition to holding back the sum of salaries payable under contractual obligations and statutory redundancy pay is a sufficient minimum. The Board of Trustees maintains an aspiration to achieve six months reserves, in line with best practice. The total, £110,461, is kept under review and updated at least once a year. As at 31 October 2016, free reserves (excluding fixed assets) amounted to £170,913.

VERTIC's income was £569,704 in the year ended 31 October 2016 compared to £470,552 for the year ended 31 October 2015. The total expenditure was £626,623 for the year ended 31 October 2016 compared to £844,075 for the year ended 31 October 2015. The fund balance carried forward at 31 October 2016 was £171,902 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £46,910 at 31 October 2016. The full Statement of financial activities is set out on page 13 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 on page 25 to the accounts. The Trustees are confident that adequate resources are available to enable completion of these projects.

c. Principal funding

The present grant register tracks income by programme and donor. It tracks 14 running projects and ten completed ones. In the current strategic plan period, the charity has received £2,933,703.14 from various donors. It should be noted, however, that some of this income has been carried forward into the present plan from previous years. The charity derives 97 percent of its funding from government sources, and 3 percent from several private foundations. Our biggest donors are Norway (33 percent of income), the European Union (23 percent), Canada (22 percent), the United Kingdom (9 percent), the United States (7 percent), and the Netherlands (2 percent).

Over the plan, 44 percent of our income has gone to projects devoted to verification and implementation and 56 percent to projects relating to national implementation. The charity's core functions are supported by overheads and management charges (where appropriate) as well as a core grant from the Joseph Rowntree Charitable Trust (JRCT).

Structure, governance and management

a. Constitution

The charity is registered as a charitable company limited by guarantee and was set up by a Memorandum of Association on 17 August 1998. An amended version of the Articles of Association was adopted on 11 May 2011.

The charity is constituted under a Memorandum of Association dated 17 August 1998 and is a registered charity, number 1073051.

The Verification Research Training and Information Centre (VERTIC)
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Trustees' report (continued)
For the year ended 31 October 2016

b. Method of appointment or election of Trustees

The ultimate management of the charity is the responsibility of the Trustees, who are elected and co-opted under the terms of the Articles of Association. By VERTIC's Articles of Association, the maximum number of Board members is determined by the company in general meetings and the minimum number in office at any given time must be three. The Trustees have fixed term limits and are periodically standing for re-election. The Board of Directors has the power to appoint new Board members at any time up to the maximum fixed amount, currently 11 persons.

c. Policies adopted for the induction and training of Trustees

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.

d. Pay policy for senior staff

The charity's remuneration policies are set out in the 'Employee Handbook', which is updated once a year. The Executive Director prepares a 'Salary Review' for consideration by the October meeting of the Trustees. This document sets out pay progression within the charity, the financial outlook, comparable salaries in other organisations, as well as programme performance. The report takes into account proposals made by the Programme Directors. The 'Salary Review' proposes a salary settlement for all members of staff except the Executive Director.

The Board of Trustees' Remuneration Committee decides the Executive Director's salary independently.

e. Organisational structure and decision-making

A Board of Trustees governs the charity. The non-executive directors of the charity 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 authorise strategic decisions. The Chief Executive Officer ('Executive Director') is responsible for day-to-day administration.

f. Risk management

The Trustees, have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity, and are satisfied that systems and procedures are in place to mitigate the charity's exposure to the major risks.

Plans for future periods

a. Future developments

While the charity has recovered to some degree from funding shortfalls experienced in 2016, its donor base remains precarious. Moreover, attempts to diversify our activities and broaden our base of financing have proven to be challenging. In particular, the charity would need to achieve a better balance of statutory versus private funding, and reduce its emphasis on certain key issues. An update to the strategic plan may therefore be required in 2017.

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Trustees' report (continued)
For the year ended 31 October 2016

Trustees' responsibilities statement

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

Company law requires the Trustees to prepare financial statements for each financial year. 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 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 judgments and accounting 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 operation.

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.

Disclosure of information to auditors

Each of the persons who are Trustees, at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report was approved by the Trustees on 17 February 2017 and signed on their behalf by:



.....
Peter Alvey - Chair
Trustee

The Verification Research Training and Information Centre (VERTIC)
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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 2016 set out on pages 13 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity'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 charity'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 charity 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 Trustees' responsibilities statement, the Trustees (who are also the directors of the charity 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 charity'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' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

The Verification Research Training and Information Centre (VERTIC)
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Independent auditors' report to the members of The Verification Research Training and Information Centre (VERTIC)

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 take advantage of the small companies' exemption from the requirement to prepare a Strategic report.



Stephen Tanner BSc(Econ) FCA (Senior statutory auditor)
for and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
Third Floor
24 Chiswell Street
London
EC1Y 4YX
17 February 2017

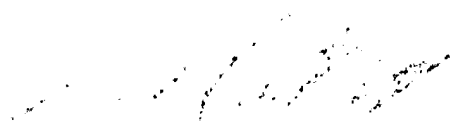
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Statement of financial activities incorporating income and expenditure account
For the year ended 31 October 2016

	Note	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Income and endowments from:					
Donations and legacies	2	-	43,750	43,750	35,000
Charitable activities	3	516,121	9,803	525,924	435,472
Investments	4	-	30	30	80
Total income and endowments		516,121	53,583	569,704	470,552
Expenditure on:					
Charitable activities	7,10	543,181	83,442	626,623	844,075
Total expenditure	6	543,181	83,442	626,623	844,075
Net expenditure before other recognised gains and losses		(27,060)	(29,859)	(56,919)	(373,523)
Net movement in funds		(27,060)	(29,859)	(56,919)	(373,523)
Reconciliation of funds:					
Total funds brought forward		73,970	201,761	275,731	649,254
Total funds carried forward		46,910	171,902	218,812	275,731

All activities relate to continuing operations.

The notes on pages 16 to 28 form part of these financial statements.



The Verification Research Training and Information Centre (VERTIC)

(A company limited by guarantee)

Registered number: 03616935

Balance sheet

As at 31 October 2016

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible assets	13		989		5,765
Current assets					
Debtors	14	43,327		91,725	
Cash at bank and in hand		260,941		220,710	
		<u>304,268</u>		<u>312,435</u>	
Creditors: amounts falling due within one year	15	(86,445)		(42,469)	
Net current assets			<u>217,823</u>		<u>269,966</u>
Net assets			<u>218,812</u>		<u>275,731</u>
Charity Funds					
Restricted funds	16		46,910		73,970
Unrestricted funds	16		171,902		201,761
Total funds			<u>218,812</u>		<u>275,731</u>

These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The financial statements were approved by the Trustees on 17 February 2017 and signed on their behalf, by:



.....
Peter Alvey - Chair

The notes on pages 16 to 28 form part of these financial statements.

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Cash flow statement
For the year ended 31 October 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	18	<u>40,231</u>	<u>(380,696)</u>
Cash flows from investing activities:			
Proceeds from the sale of tangible fixed assets		-	765
Purchase of tangible fixed assets		<u>-</u>	<u>(2,966)</u>
Net cash used in investing activities		<u>-</u>	<u>(2,201)</u>
Change in cash and cash equivalents in the year		40,231	(382,897)
Cash and cash equivalents brought forward		<u>220,710</u>	<u>603,607</u>
Cash and cash equivalents carried forward	19	<u>260,941</u>	<u>220,710</u>

The Verification Research Training and Information Centre (VERTIC)
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Notes to the financial statements
For the year ended 31 October 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Verification Research, Training and Information Centre meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2 Reconciliation with previous Generally Accepted Accounting Practice

In preparing these accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement to paid annual leave. In accordance with the requirements of FRS 102, a reconciliation of opening balances is provided in note 23.

1.3 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions:

The charity makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Areas of judgement:

The charity has recognised tangible fixed assets with a carrying value of £989 at the reporting date (see note 13). These assets are stated at their cost less provision for depreciation. The company's accounting policy sets out the approach to calculating depreciation for assets acquired.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. See note 13 for the carrying amount of tangible fixed assets and note 1.10 for the useful economic lives for each class of assets.

Deferred income has been recognised where the receipt of a grant has occurred during the period but the associated expenditure will occur during future periods. The income has been deferred to ensure the recognition of the income and expenditure are recorded in the same period in the financial statements.

Accrued income has been recognised on the value of work performed on programme related activities but not yet invoiced for. The invoices will be raised and settled in the next period.

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Notes to the financial statements
For the year ended 31 October 2016

1. Accounting policies (continued)

1.4 Going concern

The financial statements have been based on the expectation of the charity continuing as a going concern for the next 12 months. The Trustees believe that there are no uncertainties regarding the accounts being prepared on a going concern basis.

1.5 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 charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

1.6 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donated services or facilities are recognised when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the charity of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

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Notes to the financial statements
For the year ended 31 October 2016

1. Accounting policies (continued)

1.7 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity.

Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management costs. Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the charity's educational operations, including support costs and costs relating to the governance of the charity apportioned to charitable activities.

All resources expended are inclusive of irrecoverable VAT.

1.8 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 charity 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 or which have been raised by the charity 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.

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

1.10 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of financial activities incorporating income and expenditure account.

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Notes to the financial statements
For the year ended 31 October 2016

1. Accounting policies (continued)

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. 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)
Computer equipment	- 33% Straight line (over three years)

1.11 Operating leases

Rentals under operating leases are charged to the Statement of financial activities incorporating income and expenditure account on a straight line basis over the lease term.

1.12 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.13 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.14 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.15 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.16 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 Statement of financial activities incorporating income and expenditure account.

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Notes to the financial statements
For the year ended 31 October 2016

1. Accounting policies (continued)

1.17 Pensions

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

2. Income from donations and legacies

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Donations	-	43,750	43,750	35,000

In 2015, of the total income from donations and legacies, £35,000 was to unrestricted funds and £ NIL was to restricted funds

3. Income from charitable activities

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Research, Training & Information	516,121	9,803	525,924	435,472

In 2015, of the total income from charitable activities, £50,818 was to unrestricted funds and £384,654 was to restricted funds.

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Income from charitable activities (continued)

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
IAEA Additional Protocol	48,222	-	48,222	76,309
Canada GPP DFAIT	225,601	-	225,601	20,281
Cyber Security	227	-	227	1,210
Earth Innovation Institute	5,075	-	5,075	17,513
EU CoE Grant - project 53	-	9,803	9,803	-
EU CoE Grant - project 8	-	-	-	50,818
FCO - Africa Fund	13,679	-	13,679	-
FCO - Safeguards	986	-	986	-
Netherlands - NIM	12,853	-	12,853	-
Netherlands - Nuclear Treat Initiatives	10,988	-	10,988	-
Norway MFA - Multilateral Disarmament Verification	5,198	-	5,198	54,981
NS - Nuclear Treat Initiatives	10,555	-	10,555	-
SPF - Strategic Programme Fund	68,781	-	68,781	79,394
The Rufford Foundation	20,000	-	20,000	20,000
UK China	26,718	-	26,718	50,533
US State Department - Biosecurity Assessment Programme	5,120	-	5,120	38,701
US State Department - CRDF	58,537	-	58,537	25,732
US State Department - Verification	3,581	-	3,581	-
Total	516,121	9,803	525,924	435,472

4. Investment income

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Investment income	-	30	30	80

In 2015, of the total investment income, £ 80 was to unrestricted funds and £ NIL was to restricted funds.

5. Analysis of resources expended by activities

	Activities undertaken directly 2016 £	Support & governance costs 2016 £	Total 2016 £	Total 2015 £
Research, Training & Information	485,000	141,623	626,623	834,795

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6. Analysis of resources expended by expenditure type

	Staff costs 2016 £	Depreciation 2016 £	Other costs 2016 £	Total 2016 £	Total 2015 £
Research, Training & Information	251,674	4,777	362,372	618,823	820,509
Expenditure on governance	-	-	7,800	7,800	9,280
	<u>251,674</u>	<u>4,777</u>	<u>370,172</u>	<u>626,623</u>	<u>829,789</u>

7. Analysis of expenditure on charitable activities

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Research, Training & Information	543,181	75,642	618,823	834,795

In 2015, of the total expenditure, £162,515 was expenditure from unrestricted funds and £672,282 was expenditure from restricted funds.

8. Direct costs

	Research, Training & Information £	Total 2016 £	Total 2015 £
Verification research, training and provision of information	228,549	228,549	284,564
Wages and salaries	225,973	225,973	356,219
National insurance	21,549	21,549	35,285
Pension cost	4,152	4,152	5,863
Depreciation	4,777	4,777	6,417
	<u>485,000</u>	<u>485,000</u>	<u>688,348</u>

In 2015, the charity incurred the following Direct costs:
£688,350 in respect of Research, Training & Information

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9. Support costs

	Research, Training & Information £	Total 2016 £	Total 2015 £
Verification research, training and provision of information	116,011	116,011	110,966
Governance	17,812	17,812	35,481
	133,823	133,823	146,447

During the year ended 31 October 2016, the charity incurred the following Governance costs:

£7,800 (2015 - £9,280) included within the table above in respect of Research, Training & Information.

10. Governance costs

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Auditors' remuneration	-	7,800	7,800	9,280

11. Net incoming resources/(resources expended)

This is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets:		
- owned by the charity	4,776	6,417
Auditors' remuneration - audit	7,800	9,280
Pension costs	4,152	5,863

During the year, no Trustees received any remuneration (2015 - £NIL) nor benefits in kind (2015 - £NIL).
During the year, three Trustees claimed reimbursement of travel expenses of £341 (2015 - three Trustees claimed reimbursement of travel expenses of £1,784).

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12. Staff costs

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	225,973	356,219
Social security costs	21,549	35,286
Other pension costs	4,152	5,863
	<u>251,674</u>	<u>397,368</u>

The average number of persons employed by the charity during the year was as follows:

	2016 No.	2015 No.
Executive Director	1	1
Administrator	1	1
Project staff	5	7
	<u>7</u>	<u>9</u>

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

Key management personnel received remuneration and benefits of £59,679 (2015 - £64,434).

13. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 November 2015 and 31 October 2016	<u>8,299</u>	<u>22,627</u>	<u>30,926</u>
Depreciation			
At 1 November 2015	8,299	16,862	25,161
Charge for the year	<u>-</u>	<u>4,776</u>	<u>4,776</u>
At 31 October 2016	<u>8,299</u>	<u>21,638</u>	<u>29,937</u>
Net book value			
At 31 October 2016	<u>-</u>	<u>989</u>	<u>989</u>
At 31 October 2015	<u>-</u>	<u>5,765</u>	<u>5,765</u>

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14. Debtors

	2016 £	2015 £
Due within one year		
Other debtors	1,458	35
Prepayments and accrued income	41,869	91,690
	<u>43,327</u>	<u>91,725</u>

15. Creditors: Amounts falling due within one year

	2016 £	2015 £
Other taxation and social security	4,104	9,158
Other creditors	1,371	2,728
Accruals and deferred income	80,970	30,583
	<u>86,445</u>	<u>42,469</u>

Deferred income	£
Deferred income at 1 November 2015	-
Resources deferred during the year	44,695
	<u>44,695</u>

16. Statement of funds

	Brought Forward £	Income £	Expenditure £	Carried Forward £
Unrestricted funds				
General Funds	201,761	53,583	(83,442)	171,902
	<u>201,761</u>	<u>53,583</u>	<u>(83,442)</u>	<u>171,902</u>
Restricted funds				
Verification and monitoring programme	48,237	145,230	(172,429)	21,038
National implementation measures programme	25,733	370,891	(370,752)	25,872
	<u>73,970</u>	<u>516,121</u>	<u>(543,181)</u>	<u>46,910</u>
Total of funds	<u>275,731</u>	<u>569,704</u>	<u>(626,623)</u>	<u>218,812</u>

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16. Statement of funds (continued)

Summary of funds

	Brought Forward £	Income £	Expenditure £	Carried Forward £
General funds	201,761	53,583	(83,442)	171,902
Restricted funds	73,970	516,121	(543,181)	46,910
	<u>275,731</u>	<u>569,704</u>	<u>(626,623)</u>	<u>218,812</u>

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.

17. Analysis of net assets between funds

	Restricted funds 2016 £	Unrestricted funds 2016 £	Total funds 2016 £	Total funds 2015 £
Tangible fixed assets	-	989	989	5,765
Current assets	106,056	198,212	304,268	312,435
Creditors due within one year	(59,146)	(27,299)	(86,445)	(42,469)
	<u>46,910</u>	<u>171,902</u>	<u>218,812</u>	<u>275,731</u>

18. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net expenditure for the year (as per Statement of financial activities)	(56,919)	(373,523)
Adjustment for:		
Depreciation charges	4,776	6,417
Profit on the sale of fixed assets	-	(22)
Decrease/(increase) in debtors	48,398	(4,412)
Increase/(decrease) in creditors	43,976	(9,156)
Net cash provided by/(used in) operating activities	<u>40,231</u>	<u>(380,696)</u>

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Notes to the financial statements
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19. Analysis of cash and cash equivalents

	2016	2015
	£	£
Cash in hand	260,941	220,710
Total	260,941	220,710

20. Pension commitments

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £4,152 (2015 - £5,863) of which £1,371 (2015 - £2,728) was payable at the year end.

21. Operating lease commitments

At 31 October 2016 the total of the charity's future minimum lease payments under non-cancellable operating leases was:

	2016	2015
	£	£
Amounts payable:		
Within 1 year	39,179	37,942
Between 1 and 5 years	53,574	89,763
Total	92,753	127,705

22. Related party transactions

Three Trustees received reimbursement of travel expenses amounting to £341 (2015 - three Trustees received reimbursement of travel expenses amounting to £1,784).

There have been no other related party transactions in the year.

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Notes to the financial statements
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23. First time adoption of FRS 102

It is the first year that the charity has presented its financial statements under SORP 2015 and FRS 102. The following disclosures are required in the year of transition. The last financial statements prepared under previous UK GAAP were for the year ended 31 October 2015 and the date of transition to FRS 102 and SORP 2015 was therefore 1 November 2014. As a consequence of adopting FRS 102 and SORP 2015, a number of accounting policies have changed to comply with those standards.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the Trustees have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Reconciliations and descriptions of the effect of the transition to FRS 102 and SORP 2015 on total funds and net income/(expenditure) for the comparative period reported under previous UK GAAP and SORP 2005 are given below.

Reconciliation of total funds	Notes	1 September 2014	31 October 2015
		£	£
Total funds under previous UK GAAP		649,254	290,019
Holiday pay accrual		-	(14,288)
Total funds reported under FRS 102		<u>649,254</u>	<u>275,731</u>

Reconciliation of net (expenditure)	Notes	31 October 2015
		£
Net expenditure previously reported under UK GAAP		(359,235)
Holiday pay accrual		(14,288)
Net movement in funds reported under FRS 102		<u>(373,523)</u>

Explanation of changes to previously reported funds and net income/expenditure:

In accordance with FRS 102, it is necessary to recognise liabilities arising from employee entitlement to paid annual leave. This has resulted in an additional expense being charged to the Statement of financial activities in the prior year. This has increased the previously reported deficit and balance on unrestricted funds by £14,288.