

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 2008

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)

(Limited by Guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 OCTOBER 2008**

Trustees

Dr M Anderson
Sir W G H Beach, Co-Chair
Mr D Brack
Dr O J Greene, Co-Chair
Mr N Sims
Ms S M Willett
Professor W Bowen

Company registered number

03616935

Charity registered number

1073051

Registered office

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

Company Secretary

Andreas Persbo

Chief executive officer

Angela Woodward

Auditors

haysmacintyre, Fairfax House, 15 Fulwood Place, London, WC1V 6AY

Bankers

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

CAF Bank Limited, Kings Hill, West Malling, Kent, ME19 4TA

Solicitors

Bircham Dyson Bell, 50 Broadway, Westminster, London, SW1H 0BL

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 OCTOBER 2008

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 Verification Research, Training and Information Centre (the company) for the ended 31 October 2008. 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 is 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, and subsequently amended on 2 October 2000.

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 Executive Director is responsible for day-to-day administration.

Methods adopted for the recruitment and appointment of new trustees

In accordance with VERTIC's constitution, 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 2008 all of the existing Board members resigned and were eligible for reappointment. The Board of Directors has the power to appoint new Board members at any time up to the maximum fixed amount, currently eight persons.

Trustee induction, training and recruitment policy

The trustees fully recognize 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.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

Aims of the charity

VERTIC promotes effective verification of international agreements as a means to ensure confidence in the implementation of these agreements, and also intra-national agreements with international involvement. Its primary research and training activities focus on arms control and disarmament and environmental issues. It also maintains an interest in verification issues related to peace accords, although this programme had no active projects during this financial year.

Summary of the objectives for the year ended 31 October 2008

There have been no changes to the company's objectives as established by VERTIC's three-year strategic plan (2006-8) as set forth in detail in the Trustees' Report for the year ended 31 October 2006. These objectives may be summarised as follows:

- **Research:**
To maintain and enhance VERTIC's reputation for authoritative and impartial research of the highest quality, suggesting practicable solutions as appropriate.
- **Influence and change objectives:**
To help set and inform the agendas for public and wider political discussion related to verification issues through productive interaction with the key verification communities.
- **Public profile, information dissemination and awareness-raising objectives:**
To promote greater awareness and understanding by governments and civil society of the role and importance of verification in effective implementation of international agreements.
- **Capacity building and training objectives:**
 - 1) To enhance VERTIC's ability to develop training materials and packages for state governments on the implementation and verification of international agreements.
 - 2) Where appropriate, to promote and facilitate civil society engagement in monitoring and verification through offering suitable training materials.
- **Organisational funding objective:**
To secure adequate, stable and sustainable funding to ensure VERTIC has the resources to carry out its mission.
- **Management, administration and governance objectives:**
 - 1) to maintain and improve the efficacy of management systems to enable VERTIC to operate in a productive, cost-effective manner, including supportive staff management.
 - 2) Similarly, to ensure effective Board oversight and governance of VERTIC's activities.

Strategies for achieving the stated objectives

VERTIC aims to achieve its mission through research, training, dissemination of information, and interaction with the relevant political, diplomatic, technical, scientific, inter-governmental communities and civil society. It cooperates closely with United Nations (UN) bodies and other inter-governmental organizations. VERTIC has consultative (roster) status with the Economic and Social Council (ECOSOC) and is affiliated to the IAEA as a non-governmental observer.

VERTIC arranges seminars and workshops as part of its research and training mandate, both on its own and in partnership with other organizations. Staff members also participate in numerous events held by others. VERTIC has a website (www.vertic.org) and an active in-house publications programme. VERTIC researchers also contribute to journals and magazines published by other organisations and provide interviews and commentary to print and broadcast media.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

REVIEW OF ACTIVITIES IN THE YEAR

SECTION 1: ARMS CONTROL AND DISARMAMENT PROGRAMME

1.1 NUCLEAR WEAPON AND FISSILE MATERIAL VERIFICATION

VERTIC's nuclear weapons desk seeks to promote strengthened verification of nuclear weapons treaties and norms. With arms control and disarmament programme funding from the Ford Foundation, staff were able to conduct research and advocacy in support of the 1968 Nuclear Non-proliferation Treaty (NPT) verification regime, including work on nuclear safeguards, export controls and monitoring illicit trafficking. In particular, VERTIC staff engaged with government officials and London-based diplomatic staff from a range of countries to discuss nuclear weapons verification policy and current affairs. VERTIC staff were also in demand to contribute to policy debates on nuclear weapons verification issues at meetings hosted by other organizations, including the Arms Control Association (ACA), the Campaign for Nuclear Disarmament (CND), the Crisis Action Group, the International Institute for Strategic Studies (IISS), the Institute for Public Policy Research (IPPR), the Nuclear Threat Initiative (NTI), the Royal Society and Wilton Park.

Additional funds were raised to work on specific nuclear weapons-related projects:

1.1.1 Verifying nuclear warhead dismantlement project

Funders: Norwegian Radiation Protection Agency, UK Ministry of Defence and the Ford Foundation.

Project objectives:

- To provide objective analysis and reporting of the process of a NWS and a NNWS engaging on this highly sensitive and important area;
- To produce informative non-technical research papers in support of the technical research being undertaken by the UK Atomic Weapons Establishment (AWE) and Norwegian defence laboratories; and
- To maintain an accurate and objective record of the meetings between AWE, the Norwegian defence laboratories and VERTIC.

VERTIC continued to be involved in the UK-Norway process on the technical parameters for the verification of nuclear warhead dismantlement as an independent civil society observer and technical expert. The process is significant as it is the first time a nuclear-weapon state (NWS) has worked closely with a non-nuclear weapon state (NNWS) and a non-governmental organization to define possible and desirable requirements for verifiable nuclear warhead dismantlement. The trilateral nature of this process is significant as both the UK Ministry of Defence and Norway have noted VERTIC's constructive role as an independent, expert civil society partner and have expressed their support for VERTIC's continued involvement in this process.

Significant activities

- VERTIC participated in five project meetings on managed access and information barriers held in the UK and Norway and prepared meeting reports and research papers as required.
- VERTIC was mentioned as a project partner in Hansard (Lord Malloch Brown, Hansard WA200, 3 April 2008)
- VERTIC co-ordinated public diplomacy activities on the process, including:
 - i) Interviews to a journalist, which resulted in two articles in *The Economist* ("Swords and ploughshares", 14 August 2008 and "What to do with a vision of zero", 13 November 2008).
 - ii) Two seminars on the project held during the 2008 NPT Preparatory Committee meeting in New York, May 2008, at which VERTIC gave presentations on the role of a civil society partner.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

1.1.2 Verifying the 1996 Comprehensive Nuclear Test Ban Treaty (CTBT) project

Funders: Ploughshares Fund, Norway Ministry of Foreign Affairs and the Ford Foundation.

Project objectives:

- To build support for full implementation of the CTBT's verification system; and
- To achieve treaty ratification or accession by the remaining Annex 2 states, whose treaty membership is necessary for it to enter-into-force.

VERTIC continued its longstanding work to promote these objectives through discussions with policymakers and government officials at relevant seminars and treaty meetings (NPT and CTBT). VERTIC also engaged in primary research to inform these advocacy activities and enhanced its status as an influential and knowledgeable treaty advocate.

Significant achievements

- VERTIC observed the CTBTO's 2008 Integrated Field Exercise in Semipalatinsk, Kazakhstan, 9-20 September 2008, at the invitation of the CTBTO. This was the CTBTO's first comprehensive on-site inspection exercise. VERTIC is preparing a report on the exercise for release in early 2009.
- VERTIC invited by the CTBTO to join a group of experts assessing the field exercise through the IFE09 Review and Communications System (IFE08-CS) and evaluation workshops.
- Publication of "On-site inspections for the CTBT: long-running discussions achieve progress", by Malcolm Coxhead, VERTIC Brief number 7, July 2008.

1.1.3 South-Asia dialogue on fissile material confidence-building measures

Funders: Norway Ministry of Foreign Affairs and the Ford Foundation.

Project objectives:

- To examine attitudes among Indian, Pakistani and Chinese policy-makers and government officials to bilateral fissile material controls; and
- To build and strengthen working relationships among this community.

VERTIC worked with the South Asian Strategic Stability Institute (SASSI) to examine the feasibility of a range of confidence building measures that could be applied bilaterally by India and Pakistan with respect to their nuclear weapons programmes. Project research and advocacy activities are also intended to build support among senior policy-makers in Pakistan for the adoption and implementation of such measures.

VERTIC also participated in policy debates in the UK arms control and disarmament community on India and Pakistan's nuclear programmes, including meetings at the International Institute for Strategic Studies.

Significant achievements

- SASSI/VERTIC seminar on fissile material confidence-building measures, held in Islamabad, Pakistan on 6 June 2008, attended by 30 participants representing government, academia and the civilian and military branches of Pakistan's nuclear infrastructure. The discussion was frank and sincere; participants expressed satisfaction over VERTIC's and SASSI's non-prescriptive, constructive approach and the meeting's focus on practical and technical approaches towards confidence building in South Asia.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

1.2 BIOLOGICAL AND CHEMICAL WEAPONS VERIFICATION

Ford Foundation arms control and disarmament programme funding enabled VERTIC staff to maintain a 'watching brief' on the verification regimes for the 1972 Biological Weapons (BWC) and 1993 Chemical Weapons Convention (CWC). Staff participated in certain activities intended to analyse and seek means to strengthen verification of these treaties, including conferences organized by the Hamburg Centre for Biological Arms Control (on trade monitoring) and Wilton Park (on the counter-proliferation of biological threat agents), as well as the Chemical Weapons Convention Second Review Conference, held in the Hague, Netherlands during April 2008.

Significant achievements

- Participation in the Pugwash Study Group on the Implementation of the Chemical and Biological Weapons Conventions, Geneva, Switzerland, 8-9 December 2007;
- Participation in the Pugwash Study Group on the Implementation of the Chemical and Biological Weapons Conventions, Noordwijk, Netherlands, 4-6 April 2008; and
- Board member, BioWeapons Prevention Project, a network of global civil society activity that aims to strengthen the norm against using disease as a weapon.

Other philanthropic foundations which previously funded VERTIC's work on biological and chemical weapons verification no longer fund this issue. However, dedicated project funds were secured from a government to work on a specific biological weapons verification project.

1.2.1 Strengthening the 1972 Biological Weapons Convention through improved confidence-building measures

Funder: Government of Switzerland and the Ford Foundation.

Project objectives:

- To build support for renewing discussions on verification options for the BWC; and
- To contribute new research and analysis to the BWC verification debate.

VERTIC engaged with government officials from a range of countries to promote a return to discussions on verification options for the BWC and co-wrote or contributed to publications on BWC verification during the period.

Significant achievements:

- Publication of "National data collection processes for CBM submissions: revisiting the Confidence-Building Measures (CBM) of the Biological and Toxin Weapons Convention (BTWC) after twenty years of CBM submissions", by Filippa Lentzos, BIOS Centre of the London School of Economics and Angela Woodward, Verification Research, Training and Information Centre, December 2007; and
- Invited by the Chair of the BWC Meeting of States Parties to participate in an NGO roundtable discussion during a plenary session (one of six so invited), Geneva, Switzerland, 10 December 2007.

1.3 WEAPONS OF MASS DESTRUCTION VERIFICATION

Again, Ford Foundation funding for VERTIC's arms control and disarmament programme enabled staff to contribute to policy debates that considered nuclear, biological and chemical weapons (or, weapons of mass destruction) as inter-connected problems. VERTIC staff participated in meetings organized by the UK Foreign and Commonwealth Office, International Atomic Energy Agency and UN 1540 Committee as well as NGOs and universities including the British American Security Information Council (BASIC), the International Institute for Strategic Studies (IISS), Foreign Policy Centre (FPC), the Royal Society, Royal United Services Institute (RUSI) and the School of Oriental and African Studies (SOAS) of the University of London.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

1.4 CONVENTIONAL WEAPONS VERIFICATION

1.4.1 Options for verifying an Arms Trade Treaty

Funders: Saferworld and the Ford Foundation

VERTIC was contracted by Saferworld to provide analysis on options for verifying the proposed Arms Trade Treaty and to comment on their draft report. The Ford Foundation programme grant also contributed to VERTIC's time on this project.

Significant achievements:

- Contributed to the publication "Making it work: Monitoring and verifying implementation of an Arms Trade Treaty" by Elizabeth Kirkam, Saferworld, May 2008.

1.5 IMPLEMENTATION OF COUNTRY-SPECIFIC VERIFICATION

Funders: the Joseph Rowntree Charitable Trust (Iran-related work) and the Ford Foundation.

Project objectives:

- To contribute objective analysis to policy debates and broadcast journalism on nuclear weapons-related verification of Iran, North Korea and Syria;
- To advocate the application of effective verification in these cases; and
- To build and strengthen working relationships among this community

Significant achievements:

- Active participation in a discussion forum on Iran's nuclear programme convened by Crisis Action.
- Participation in a conference in Tehran to consider different perceptions of Iran's nuclear programme, 7-10 March 2008.
- Participation in Pugwash meeting on Iran's nuclear programme, the Hague, 2-4 August 2008
- Interviews with Al-Jazeera, Press TV, Islamic Republic of Iran Broadcasting (IRIB) on Iran's nuclear programme.
- Participation in roundtables to discuss nuclear weapons verification-related issues in Syria and North Korea convened by IISS.

1.6 BUILDING CAPACITY TO IMPLEMENT NUCLEAR, BIOLOGICAL AND CHEMICAL WEAPONS TREATIES AND UNSCR 1540

Funders: UK Strategic Programme Fund and the Netherlands Ministry of Foreign Affairs.

This was VERTIC's largest project during the period, involving the equivalent of three full-time staff.

Project objectives:

- To assist states to implement appropriate and effective national legislation and other measures, including through capacity-building;
 - To aid states to develop appropriate national systems to ensure timely and effective national implementation and enforcement;
 - To identify effective implementation models and potential sources of assistance to stimulate the rectification of deficiencies, in particular in: criminal law, export controls and other non-proliferation measures, and safety and security measures relating to NBC materials;
 - To enhance information exchange and cooperation between, and national implementation assistance providers, especially IAEA, CTBTO, OPCW, UNDDA, 1373 Executive Directorate, UNSCR 1540 Committee, INTERPOL, ICRC and NATO's WMD Centre, as well as states;
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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

- To raise awareness and capacity of relevant regional and sub-regional organisations to promote and facilitate effective national implementation by states; and
- To further raise awareness of implementation requirements among states, international organisations, regional organisations and civil society.

Significant achievements:

Legislation surveys

Surveys of BW-related legislation, involving 96 criteria, were completed for 18 States.

Legislative assistance

VERTIC assisted nine States with drafting legislative or other measures (this work is continuing).

Advocacy activities

VERTIC undertook these activities during the BWC treaty meetings:

- Poster on "National implementing measures for the BWC", poster session, BWC Meeting of Experts, 19 August 2008;
- Lunchtime seminar on "National implementing measures for the BWC" (English), BWC Meeting of Experts, 22 August 2008;
- Prepared a working paper on "Building capacity to implement the Biological and Toxin Weapons Convention: Summary of a VERTIC project", submitted to the Meeting of Experts by the governments of the Netherlands and the UK (BWC/MSP/2007/MX/WP.3, 7 August 2007);
- Gave a presentation on "Practical contributions of civil society to national implementation and regional co-operation" at an NGO panel discussion, 10 December 2007.

VERTIC staff also participated in workshops organized by the ICRC (on national implementation of international humanitarian law) in Cairo, Egypt in March-April 2008 and the BioWeapons Prevention Project (on BWC ratification and national implementation) in Lilongwe, Malawi in June 2008. VERTIC also participated in the establishment of a new International Law Association committee on nuclear law.

Implementation tools:

VERTIC developed new legislative tools including:

- BWC and CWC fact sheets in Arabic, French and Spanish;
- A one-page introduction sheet on the VERTIC programme in Arabic;
- A sample act for implementation of the BWC in Arabic, English, French and Spanish; and
- Glossary of survey terms in Arabic, French and Spanish.

VERTIC staff observed significant take-up of these BWC legislation materials (Arabic, English, French and Spanish), particularly by non-English speakers. This is the first time materials and treaty side events have been provided in languages other than English and French.

Coordination of assistance providers:

VERTIC convened the following meetings during the period:

- Technical coordination meeting for legislative assistance providers in the nuclear, chemical and biological weapons field, 29 January 2008, London; and
- BWC Informal Assistance Group meeting on the margins of the BWC Meeting of Experts, 20 August 2008, Geneva.

VERTIC staff also had informal meetings with international organization legal officers at treaty meetings to share experiences (IAEA and CTBTO during IAEA General Conference; OPCW at CWC Review Conference, CTBTO during Inter-Parliamentary Union conference; ICRC at BWC meetings).

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

Regional workshop:

VERTIC co-hosted a Middle East regional biosecurity conference with the Arab Institute for Security Studies in Amman, Jordan during 27-29 October 2008 ("International Forum on Biosecurity"). Participants included government and military officials from Bahrain, Egypt, Iran, Iraq, Jordan, Libya, Morocco, Oman, Iraq, Kuwait, Palestine, Saudi Arabia, Sudan, UAE and Yemen, as well as representatives from the League of Arab States, VERTIC's project donor governments (Netherlands and UK), international organizations and NGOs based in the Gulf, Europe, South East Asia, Americas, Africa and Pacific. The presentations were well received by participants, who engaged in lively discussion during plenary sessions and with VERTIC staff on the margins.

SECTION 2: ENVIRONMENT PROGRAMME

Funders: Chatham House and the Overseas Development Institute (ODI)

During this period the programme focused on new areas in the climate change regime and the wider environment field; VERTIC developed a research area in verification issues in climate change and forestry as well as illegal logging and forest governance. This strategy allowed VERTIC to develop strong working relationships with influential partners in the area and participate in high-profile projects. Focusing on two key issues in forestry allowed VERTIC to consolidate its efforts in one sector, open new work and funding opportunities and build on its climate change experience. VERTIC was contracted by Chatham House to work on its project on "Illegal logging and related trade: measuring the response" and by the ODI to provide analysis on verification issues in climate change and forests for its VERIFOR project.

In addition, this strategy overcame difficulties associated with securing funding in the climate change focus areas we had previously worked on. However, VERTIC continued to maintain a 'watching brief' in the overall climate change field, and collaborated with its network on climate issues.

Forestry and climate change is a rapidly expanding area of international attention and the links between this area and illegal logging and forest governance are an important issue in this area.

Significant programme achievements:

- VERTIC staff member was invited to join the editorial board for 'Climate Law Compliance: Cases and Theory', a new peer-reviewed journal published by IOS Press, Amsterdam.
- VERTIC contributed analysis and advice to its civil society network on the climate change regime, in particular on REDD, covering issues to be addressed both during 2008 and beyond.

2.1 ILLEGAL LOGGING AND RELATED TRADE: MEASURING THE GLOBAL RESPONSE

Funder: Chatham House

Project objectives:

- To develop a set of indicators to measure the extent and effectiveness of the response to illegal logging across a range of countries and sectors. The indicators cover awareness of the issue, government policy development and implementation, private sector policy development and implementation, and what is known about the extent of illegal logging and associated trade. The project will assess progress on these indicators on an ongoing basis.
- To inform policy-makers and other stakeholders on progress in tackling illegal logging and to assist them in addressing the issue.

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

Significant achievements:

- Collaborated on refining project research framework and methodology. VERTIC's contribution particularly focused on developing the research methodology and tools for the government policy and private sector policies including:
 - a framework of 'ideal' laws, policies and measures for producer, consumer and processing countries; and
 - government sector and private sector surveys.
- Collaborated on establishing research tasks for partner organizations in Indonesia, Cameroon and Vietnam.
- Liaised with representatives from government, private sector, international organizations and research institutes, and assisted with project coordination.
- Pilot phase currently underway testing research methodology in Cameroon, Indonesia, UK, US, and Vietnam. Results are due by February 2009. VERTIC is carrying out research on UK and US as well as various other indicators.
- VERTIC staff member presented project progress, along with Duncan Brack (Associate Fellow), at Chatham House Illegal Logging Update Meeting, London, 9-10 June 2008.

2.2 VERIFICATION OF REDD MECHANISMS: BUILDING NATIONAL AND INTERNATIONAL INSTITUTIONS AND PROCEDURES

Funder: Overseas Development Institute

Project objectives:

- To examine national and international verification system models in a range of potential REDD approaches, focusing on institutional and governance issues.
- To inform VERIFOR project participants about verification issues in potential REDD approaches.

Significant achievements:

- Drafted substantial paper on climate change and forests entitled 'Verification of REDD mechanisms: building national and international institutions'.

ACHIEVEMENTS AND PERFORMANCE

a. Review of activities with reference to objectives (including fundraising)

The trustees believe that VERTIC has substantially met its objectives, as indicated by the following:

Research: To maintain and enhance VERTIC's reputation for authoritative and impartial research of the highest quality, suggesting practicable solutions as appropriate.

The wide range of state governments, inter-governmental organizations, international organizations and members of civil society who seek to work with, and support, the centre (as can be seen in the list of activities and funders above) testifies to the international community's continuing respect for the excellence, pragmatism and impartiality of VERTIC's research. This is true across both of VERTIC's active research areas: arms control and disarmament; and environmental agreements.

Influence and change objectives: To help set and inform the agendas for public and wider political discussion related to verification issues through productive interaction with the key verification communities.

VERTIC's success in this regard can be illustrated by looking at two instances where its work has helped to set and/or inform such agendas:

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

1) VERTIC has helped to establish a dialogue on fissile material confidence-building measures (CBMs) in South Asia. In conjunction with a civil society partner NGO in Pakistan, VERTIC convened a meeting in Islamabad to facilitate an exchange of views among national stakeholders on the nature and application of CBMs that could be applied to enhance transparency concerning nuclear programmes in the region.

2) The true nature of Iran's nuclear programme continues to perplex and challenge the international community. VERTIC has continued its active involvement in policy debates on Iran's nuclear programme, contributing factual information on the status of its programme and objective analysis on practical verification solutions.

Public profile, information dissemination and awareness-raising objectives: To promote greater awareness and understanding by governments and civil society of the role and importance of verification in effective implementation of international agreements.

VERTIC's mission is to promote effective verification, so this objective truly informs all its work—research; networking; publishing; participating in, and organizing, workshops and seminars; speaking to journalists; communicating via its website.

VERTIC has significantly enhanced its interaction with the diplomatic community in London during this period, particularly bilateral communication intended to inform and raise awareness of effective verification options to current challenges and to enhance the role of civil society experts in verification policy-making.

Capacity building and training objectives:

1) To enhance VERTIC's ability to develop training materials and packages for state governments on the implementation and verification of international agreements.

2) Where appropriate, to promote and facilitate civil society engagement in monitoring and verification through offering suitable training materials.

The development of training / capacity-building materials for VERTIC's project to promote national implementation of international NBC law has been one of the centre's most important activities over the past year. Considerable effort has gone into developing new training tools and translating them into Arabic, French and Spanish to make them more accessible to our target audience. VERTIC's comprehensive surveys of biological weapons-related legislation and presentations at treaty meetings and regional conferences have also helped to build capacity among national stakeholder groups for improved implementation of the 1972 Biological Weapons Convention and UN Security Council Resolution 1540.

Organisational funding objective:

To secure adequate, stable and sustainable funding to ensure VERTIC has the resources to carry out its mission.

The centre raised £ 892,156 in new grants in the past financial year. These include the following:

- Ford Foundation—Core support for the arms control and disarmament programme (December 2007-November 2009) \$150,000 (£88,492)
- UK Strategic Programme Fund—Legislative assistance to ensure non-proliferation of NBC weapons (October 2008-December 2011) £623,202
- UK Strategic Programme Fund—BW legislative assistance (May-October 2008) £24,150
- Ploughshares Fund—CTBTO Integrated Field Exercise 08 project (2008) \$31,833 (£16,472)
- UK Ministry of Defence—verification of nuclear arms reduction project (September 2008-August 2009) £25,000

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- Norwegian Radiation Protection Authority (NRPA)—verification of nuclear arms reduction project (March 2008-February 2009) £30,000
- Norway Ministry of Foreign Affairs—Seminar on the verifiability of the CTBT (April 2008-March 2009) £15,840
- Norway Ministry of Foreign Affairs—South Asia dialogue on bilateral fissile material control (April 2008-March 2009) £49,000
- Chatham House—Indicators of illegal logging (consultancy) (June 2008-January 2009) £14,000
- Overseas Development Institute—VERIFOR: Verification requirements of REDD, and links to FLEGT (consultancy, September-October 2008) £4,000
- Saferworld—Making it work: Monitoring and verifying implementation of an international Arms Trade Treaty (consultancy, November 2007-April 2008) £2,000

In addition to this new funding, the following grants which began in the previous fiscal year are either ongoing or were completed in the FY ending 31 October 2007:

- UK Global Opportunities Fund (GOF) (now Strategic Programme Fund)—national implementation measures project (October 2006-September 2008) £272,000
- Netherlands Ministry of Foreign Affairs—national implementation measures project (November 2006-October 2008) £75,000
- Joseph Rowntree Charitable Trust—core funding (October 2006-September 2009) £120,000

The trustees note that this has been the most successful year for fundraising in VERTIC's history, with the most funds raised in a single year, multi-year funding for major projects secured, the proportion of unrestricted funds significantly increased and VERTIC's brought forward restricted funds deficit cleared.

Management, administration and governance objectives:

- 1) To maintain and improve the efficacy of management systems to enable VERTIC to operate in a productive, cost-effective manner, including supportive staff management.
- 2) Similarly, to ensure effective Board oversight and governance of VERTIC's activities.

As noted in last year's report, VERTIC is a small charity, operating in a changeable, occasionally unpredictable, environment. This requires it to be alert, adaptable and resilient in responding to such changes and risks. Sound management systems have underpinned the centre's ability to operate smoothly through such change and challenge, as has been proven during the past financial year, a period of considerable change.

The Executive Director initiated improvements to certain management and administration systems during the period. For instance, the Board approved the appointment of a specialist employment law and health and safety law consultancy (Ellis Whittam) in October 2008, recognizing the value of retaining expert consultants to aid VERTIC's compliance with relevant legislation and to manage accompanying risks to the business. (Ellis Whittam were contracted for a three-year period from November 2008). Due to the increased number and complexity of VERTIC grants, a book-keeper has been retained to assist the Administrator in maintaining VERTIC's financial accounts and conducting audit preparation. VERTIC upgraded its IT system by purchasing a new server, workstations, related software and data back-up service, and leasing a new printer/scanner/fax machine.

Regarding personnel, VERTIC's Information Officer resigned in January 2008 and until dedicated funding for this post is assured, the post will remain vacant. VERTIC's Administrator was on maternity leave from June 2007-June 2008, with her duties being shared between the Executive Director, research staff and the book-keeper. A consultant was hired for six months to work on the "BW legislative assistance" project (May-October 2008).

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

Use of volunteers

VERTIC has a modest internship programme, primarily for recent MA graduates in international affairs and related fields, although occasionally undergraduates also participate. They are reimbursed for travel and meal costs for the days that they work.

The interns help VERTIC achieve its objectives by providing research, administrative and outreach support. While VERTIC values their contributions, the centre does not depend on them to achieve its objective, and there are often periods when no intern is working at VERTIC.

Factors within and outside the charity's control which may affect the achievement of its objectives.

1) **Fundraising:** The challenges that VERTIC faces, in common with many other small charities, are:

- The burden on staff time, which can sometimes seem disproportionate to the size of the grant and/or the application and reporting requirements;
- Many donors prefer to sponsor projects rather than programmes;
- Few donors can provide unrestricted funds, which are necessary to build a modest reserve;

In VERTIC's case, the difficulty of identifying new donors is compounded to some degree by the specialized nature of its work. Many charitable foundations, for example, have environmental programmes, but these are often concerned with local, rather than global, issues and projects and/or with conservation, rather than monitoring, compliance and verification issues related to multilateral environmental agreements. It takes considerable time and effort to identify these potential funders, and to cultivate a productive relationship with them.

However, VERTIC has been very successful in diversifying its funding base over the past year and in securing multi-year grants, which provide some funding stability. The proportion of funding from governments has significantly increased from five years ago, when grants from philanthropic foundations provided the majority of VERTIC's funds. VERTIC is careful to ensure that it retains its independence and impartiality in these cases, and that there is some balance between governmental and foundation funding.

2) **Personnel:** The calibre of VERTIC's work and its reputation in the international community ensure that VERTIC undertakes a wide range of interesting and worthwhile projects. This means that generally VERTIC can attract good candidates for its occasional research vacancies.

VERTIC recognises, however, that it is also important to retain key staff members with their expertise, international reputations and carefully cultivated networks of influential contacts. Staff members take great professional satisfaction in the work, finding it stimulating and rewarding, but they also need to be adequately paid for it, and to enjoy the benefits of a well-run personnel system. The trustees and senior management have taken steps this financial year to strengthen the personnel system and to review payscales in line with sector standards.

FINANCIAL REVIEW

The organisation cleared the restricted fund deficit which was brought forward from the 2006-2007 financial year accounts by securing unrestricted funds for certain services performed.

The Executive Director and Administrator continued to work closely with the book-keeper and VERTIC's accountants to ensure that restricted and unrestricted funds are correctly attributed in the financial accounts and, in conjunction with staff, been working to ensure an appropriate mix of restricted and unrestricted funds are raised, including by:

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2008

- 1) Developing full cost recovery budgets for project proposals submitted to funders, including overhead costs;
- 2) Seeking further unrestricted grants from a wider range of funding sources (including charitable foundations and governments);
- 3) Securing more consultancy projects for a wider range of customers and, wherever possible, ensuring that payment for such services is unrestricted funding; and
- 4) Reviewing core costs and seeking ways in which such costs can be reduced.

Investment policy and performance

The Memorandum and Articles of Association provides that the company invests moneys 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 deposits earning a market rate of interest.

Reserves policy

VERTIC seeks to maintain a level of unrestricted reserves that would be adequate to meet all current and known future liabilities. In practice, the trustees consider that holding unrestricted reserves equivalent to three months core costs (approximately £60,000 on current costs) is sufficient. As at 31 October 2008, free reserves (excluding fixed assets) amount to £14,291. The Trustees are looking to build up free reserves.

VERTIC's income was £388,928 in the year ended 31 October 2008 compared to £311,517 for the year ended 31 October 2007. The total expenditure was £296,582 for the year ended 31 October 2008 compared to £314,678 for the year ended 31 October 2007. The fund balance carried forward at 31 October 2008 was £18,326 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £123,645 at 31 October 2008. The full Statement of Financial Activities is set out on page 18 of these accounts.

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

Details of the restricted projects are given in notes 13 to the accounts on page 27. The trustees are confident that adequate resources are available to enable completion of these projects.

PLANS FOR THE FUTURE

VERTIC will continue to promote effective verification of international agreements across its arms control and disarmament and environmental agreements programmes. VERTIC will continue to maintain a watching brief for its peace agreements programme, with a view to reactivating it should circumstances permit.

In the short- to medium- term, VERTIC is looking to further develop its existing programmes in a number of ways, including (but not limited) to the following:

1. **Arms control and disarmament:**
 - To develop its technical and legislative assistance capabilities under the NIM project, in particular, by expanding its in-house capacity to work with Arabic-speaking States;
 - To continue and deepen our involvement in certain research areas (verification of nuclear, biological and chemical weapons obligations);
 - To re-engage in research areas in which VERTIC was more active in the past (such as conventional weapons); and
 - To recruit additional staff to implement these programme developments.
2. **Environment**
 - To develop new research projects under this programme, focusing on verification of other MEAs and/or monitoring of extractive industries; and
 - To recruit an additional staff member, possibly a science fellow, for this programme.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 OCTOBER 2008**

3. Outreach

- To review its outreach and dissemination strategy;
- To review its current publication series and consider possible re-design or re-branding of certain titles;
- To seek publication in a wider range of titles, including scholarly publications.

VERTIC is scheduled to conduct a Strategic Review in mid-2009 for the period 2009-2011.

TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company and charity law require 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). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to;

- select suitable accounting policies and then apply them consistently;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the charitable company's auditors are 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 auditors are aware of that information

AUDITORS

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

APPROVAL

This report was approved by the Trustees on 17 February 2009 and signed on its behalf, by:

Sir W G H Beach - Co-Chair

Dr O J Greene - Co-Chair

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**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 2008 which comprise the Statement of Financial Activities, Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The responsibilities of the Trustees (who also act as company directors of The Verification Research, Training and Information Centre (VERTIC) for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Trustees' Annual Report is consistent with the financial statements.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs as at 31 October 2008 and of its incoming resources and application of resources, including its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

haysmacintyre

Chartered Accountants

Registered Auditors

Fairfax House

15 Fulwood Place

London

WC1V 6AY

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES
(incorporating income and expenditure account)
FOR THE YEAR ENDED 31 OCTOBER 2008**

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2008 £	Total funds 2007 £
INCOMING RESOURCES					
<i>Incoming resources from generated funds:</i>					
Voluntary income	2	-	40,000	40,000	56,754
Investment income		-	3,247	3,247	1,874
<i>Incoming resources from charitable activities</i>	3	<u>291,553</u>	<u>54,123</u>	<u>345,681</u>	<u>252,889</u>
TOTAL INCOMING RESOURCES		<u>291,553</u>	<u>97,370</u>	<u>388,928</u>	<u>311,517</u>
RESOURCES EXPENDED					
<i>Costs of generating funds:</i>					
Generating voluntary income	5	4,000	382	4,382	5,998
<i>Charitable activities</i>					
Research, Training & Information		228,610	59,213	287,823	303,042
<i>Governance costs</i>	6	-	4,377	4,377	5,638
TOTAL RESOURCES EXPENDED		<u>232,610</u>	<u>63,972</u>	<u>296,582</u>	<u>314,678</u>
MOVEMENT IN TOTAL FUNDS FOR THE YEAR – NET INCOME/ (EXPENDITURE) FOR THE YEAR					
		58,948	33,398	92,346	(3,161)
<i>Total funds at 1 November 2007</i>		<u>64,697</u>	<u>(15,072)</u>	<u>49,625</u>	<u>52,786</u>
TOTAL FUNDS AT 31 OCTOBER 2008		<u><u>123,645</u></u>	<u><u>18,326</u></u>	<u><u>141,971</u></u>	<u><u>49,625</u></u>

There were no recognised gains or loss for 2008 and 2007 other than those included in the Statement of Financial Activities.

The notes on pages 20 to 29 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

BALANCE SHEET
AS AT 31 OCTOBER 2008

	Notes	£	2008	£	£	2007	£
FIXED ASSETS							
<i>Tangible fixed assets</i>	10			11,335		9,043	
CURRENT ASSETS							
Debtors	11	26,344			3,803		
Cash at bank		134,439			74,419		
		<u>160,783</u>			<u>78,222</u>		
CREDITORS: amounts falling due within one year	12	(30,147)			(37,640)		
NET CURRENT ASSETS				<u>130,636</u>		<u>40,582</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>141,971</u>		<u>49,625</u>	
CHARITY FUNDS							
Restricted Funds	13			123,645		64,697	
Unrestricted funds	13			18,326		(15,072)	
				<u>141,971</u>		<u>49,625</u>	

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

The financial statements were approved and authorised for issue by the Trustees on 17 February 2009 and signed on their behalf, by:

Sir W G H Beach - Co-Chair

Dr O J Greene - Co-Chair

The notes on pages 20 to 29 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008**

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 January 2007). 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 1985

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 cost 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)

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

All assets costing more than £200.00 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%	reducing balance
Office Equipment	-	25%	reducing balance
Computer Equipment	-	25%	reducing balance

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.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008**

2. VOLUNTARY INCOME AND CORE FUNDING	Restricted Funds	Unrestricted Funds	Total Funds	<i>Total Funds</i>
	2008	2008	2008	<i>2007</i>
	£	£	£	£
Joseph Rowntree Foundation Trust	-	40,000	40,000	30,000
Quakers (donation in kind)	-	-	-	26,754
	-	40,000	40,000	56,754
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES (Research, Training & Information)	Restricted Funds	Unrestricted Funds	Total Funds	<i>Total Funds</i>
	2008	2008	2008	<i>2007</i>
	£	£	£	£
NRPA	-	22,292	22,292	18,392
Ploughshares fund	16,408	-	16,408	-
Esmee Fairbairn Foundation	-	-	-	20,000
Saferworld	-	2,000	2,000	-
Chatham House	-	14,400	14,400	-
The Joseph Rowntree Charitable Trust	5,500	-	5,500	17,260
FCO – Strategic Programme Fund	152,629	-	152,629	136,000
Ford Foundation	36,911	-	36,911	-
CTBT Funders	15,840	-	15,840	3,250
Norway MFA Fissile	49,000	-	49,000	-
Ministry of Defence UK	-	15,431	15,431	-
Netherlands (NIM)	15,270	-	15,270	56,176
PADET	-	-	-	1,712
Publication, year books and subscriptions	-	-	-	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>291,558</u>	<u>54,123</u>	<u>345,681</u>	<u>252,890</u>
4. RESOURCES EXPENDED	Direct Costs	Support Costs	2008	2007
	£	£	£	£
Cost of generating voluntary income	4,000	382	4,382	5,998
Verification research, training & provision of information	262,733	25,090	287,823	303,042
Governance	3,995	382	4,377	5,638
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>270,728</u>	<u>25,854</u>	<u>296,582</u>	<u>314,678</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

5. COSTS OF GENERATING VOLUNTARY INCOME	Restricted Funds 2008 £	Unrestricted Funds 2008 £	Total Funds 2008 £	<i>Total Funds 2007 £</i>
Staff costs	4,000	-	4,000	5,000
Support costs	-	382	382	1,245
	<u>4,000</u>	<u>382</u>	<u>4,382</u>	<u>5,998</u>
6. GOVERNANCE			Total Funds 2008 £	Total Funds 2007 £
Audit fees			3,995	4,700
Support costs			382	938
			<u>4,377</u>	<u>5,638</u>
7. SUPPORT COSTS COMPRISE OF:				
	Premises Costs £	Office Costs £	2008 £	2007 £
Costs of generating voluntary income	106	276	382	998
Verification research, training and provision of information	6,991	18,099	25,090	50,428
Governance	106	276	382	938
	<u>7,203</u>	<u>18,651</u>	<u>25,854</u>	<u>52,364</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

8. NET INCOME / (EXPENDITURE)

This is stated after charging:

	2008 £	2007 £
Depreciation of tangible fixed assets: - owned by the charity	3,779	3,015
Auditors' remuneration - as auditors	3,995	4,700
- other services	746	-
Pension costs	<u>1,372</u>	<u>1,784</u>

During the year, no Trustees received any remuneration (2007 - £NIL).

During the year, no Trustees received any benefits in kind (2007 - £NIL).

During the year, Trustees claimed travel expenses of £363 (2007 £Nil).

9. STAFF COSTS

Staff costs were as follows:

	2008 £	2007 £
Wages and salaries	142,057	169,879
Social security costs	12,707	18,034
Other pension costs	1,372	1,784
Salary paid to project consultant	18,996	-
	<u>175,132</u>	<u>189,697</u>

The average number of full-time equivalent number of staff during the year was as follows:

	No.	No.
Executive Director	1	1
Administrator	1	1
Project staff	3	4
Information officer/Networker		1
	<u>5</u>	<u>7</u>
Project consultant	<u>1</u>	<u>-</u>

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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

10. TANGIBLE FIXED ASSETS

	Furniture and fittings £	Computer equipment £	Office equipment £	Total £
Cost				
At 1 November 2007 and 31 October 2008	4,276	27,958	15,606	47,840
Additions	-	6,071	-	6,071
Disposals	-	-	-	-
At 31 October 2008	<u>4,276</u>	<u>34,029</u>	<u>15,606</u>	<u>53,911</u>
Depreciation				
At 1 November 2007	3,912	20,573	14,312	38,797
Charge for the year	91	3,364	324	3,779
At 31 October 2008	<u>4,003</u>	<u>23,937</u>	<u>14,636</u>	<u>42,576</u>
Net book value				
At 31 October 2008	<u>273</u>	<u>10,092</u>	<u>970</u>	<u>11,335</u>
At 31 October 2007	<u>364</u>	<u>7,385</u>	<u>1,294</u>	<u>9,043</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

11. DEBTORS

	2008 £	2007 £
Trade debtors	-	1,045
Prepayments and accrued income	1,744	1,258
Grants Receivable	24,600	1,500
	<u>26,344</u>	<u>3,803</u>

Included in grants receivable above is £4,600 due from Chatham House. Mr D Brack, a trustee of the charity is employed by Chatham house.

12. CREDITORS:
Amounts falling due within one year

	2008 £	2007 £
Social security and other taxes	4,213	3,389
Accruals	25,934	7,670
Deferred income	-	26,581
	<u>30,147</u>	<u>37,640</u>

The deferred income of £26,581 in 2007 has been released to the Statement of Financial Activities in 2008.

13. STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Unrestricted funds					
General Funds	<u>(15,072)</u>	<u>97,370</u>	<u>(63,972)</u>	<u>-</u>	<u>18,326</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008

13. STATEMENT OF FUNDS (continued)

Restricted funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Arms Control and Disarmament Programme	55,180	291,558	(228,358)	-	118,380
Information/Networking Programme	2,441	-	(1,462)	-	979
IT Project	7,076	-	(2,790)	-	4,286
Total	<u>64,697</u>	<u>291,558</u>	<u>(232,610)</u>	<u>-</u>	<u>123,645</u>

Each of the projects is described in more detail below:

Arms Control an Disarmament Programme

In this programme, funded by various funders, Ploughshares Fund, the Foreign & Commonwealth Office, the Ford Foundation, the Joseph Rowntree Charitable Trust and the Canadian, Norwegian and Netherlands Governments. VERTIC promotes effective verification measures for, and monitors the implementation of and compliance with all major arms control and disarmament regimes, including:

- nuclear (notably the Nuclear Non-Proliferation Treaty, including International Atomic Energy Agency nuclear safeguards, the Comprehensive Nuclear Test Ban Treaty)
- biological (the Biological Weapons Convention)
- chemical (the Chemical Weapons Convention) and
- small arms and light weapons, including landmines.

Information/Networking Programme

Funded by the John D. and Catherine T. MacArthur Foundation, this programme involves expanding VERTIC's network of contacts and collaborators in the verification field generally, increasing VERTIC's media presence and developing its publications activities, including its website. It also provides for conferences and workshops on key verification issues.

IT Project

The Joseph Rowntree Charitable Trust have provided a capital grant to be used to improve the IT infrastructure at VERTIC. A number of computer equipment were bought this year. The value shown in the fund balance represents the net book value of those assets.

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13. STATEMENT OF FUNDS (continued)

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
General Funds	(15,072)	97,370	(63,972)	-	18,326
Restricted Funds	64,697	291,558	(232,610)	-	123,645
	<u>49,625</u>	<u>388,928</u>	<u>(296,582)</u>	<u>-</u>	<u>141,971</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2008 £	Unrestricted Funds 2008 £	Total Funds 2008 £	<i>Total Funds 2007 £</i>
Tangible fixed assets	7,300	4,035	11,335	9,043
Current assets	139,703	21,080	160,783	78,222
Creditors due within one year	(23,358)	(6,789)	(30,147)	(37,640)
	<u>123,645</u>	<u>18,326</u>	<u>141,971</u>	<u>49,625</u>

15. OPERATING LEASE COMMITMENTS

At 31 October 2008 the company had annual commitments under non-cancellable operating leases as follows:

	2008 £	2007 £
Expiry date:		
Between 2 and 5 years	<u>30,622</u>	<u>38,046</u>

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16. SHARE CAPITAL

The Verification Research Training and Information Centre (VERTIC) is a company Limited by Guarantee and having no share capital. Each member is liable to contribute a sum not exceeding £1 in the event of the charity being wound up.

17. RELATED PARTY TRANSACTIONS

During the year, the charity received £14,400 from Chatham House. Mr D Brack, a trustee of the charity is employed by Chatham house.