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

(A company limited by guarantee)

TRUSTEES REPORT AND FINANCIAL STATEMENTS

For the year ended 31 October 2005



THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

CONTENTS

	Page
Legal and administrative information	1
Trustees' report	2 - 6
Auditors' report	7 - 8
Statement of financial activities	9
Balance sheet	10
Notes forming part of the financial statements	11 - 20

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

LEGAL AND ADMINISTRATIVE INFORMATION

For the year ended 31 October 2005

Trustees

Dr M Anderson (appointed 08/09/2005)
Sir W G H Beach, Co-Chair from 21/01/2005
Mr D Brack
Mr L Challenor-Chadwick
Dr O J Greene, Co-Chair from 21/01/2005
Mr N Sims
Professor D M Wolfe (appointed 25/04/2005)
Ms S M Willett, Chair until 21/01/05

Company Registered Number
03616935

Charity Registered Number
1073051

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

Company Secretary
Angela Woodward

Chief Executive
Michael Crowley

Auditors
Trustient, Chartered Accountants & Registered Auditors, Buckingham House East, The Broadway, Stanmore, Middlesex, HA7 4EB

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)

TRUSTEES' REPORT For the year ended 31 October 2005

The Trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the financial statements of Verification Research, Training and Information Centre (VERTIC) for the year ended 31 October 2005. 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 October 2000.

Constitution policies and objectives

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.

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.

There have been no changes in the objectives since the last annual report.

Directors and Trustees

The directors of the charitable company are its trustees for the purpose of charity law. There are no other trustees. The trustees who served throughout the period and at the date of this report are set out on page 1. A Board of Directors governs the company. 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 21 January 2005 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 nine persons.

Organisational structure and decision making

The Board of Directors is responsible for overall control of VERTIC's operations and meets regularly to review the performance of VERTIC, and to plan and authorise strategic decisions. The Executive Director is responsible for the day-to-day administration of the charity.

Review of activities and future developments

Introduction

This has been a year of change and financial constraint for the organization. However, despite this, VERTIC has continued to maintain a high level of productivity and quality of publications and activities. Furthermore, despite the organizational constraints VERTIC has managed to develop new and innovative projects.

Nuclear weapons

In the nuclear area, VERTIC continued to closely follow developments in respect of Iran and North Korea, as well as the continuing improvement in nuclear safeguards. VERTIC continued its close collaboration with the Comprehensive Nuclear Test Ban Treaty Organization (CTBTO), including holding a seminar during the CTBT Article XIV Conference, in New York, in September 2005. Under a commission from the UK Overseas Development Institute (ODI), VERTIC produced a comprehensive report: 'An overview of the evolution, operation and status of nuclear safeguards', which was published in October 2005.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued) For the year ended 31 October 2005

Review of activities and future developments (continued)

Biological and chemical weapons

VERTIC's work on biological weapons has continued apace. During 2005, VERTIC worked with the ICRC to develop a model law to implement the BWC and BW-related provisions of UNSCR 1540 ['The Biological and Toxin Weapons Crimes Act'], an initial draft of which was launched at an ICRC/Foreign and Commonwealth Office (UK) workshop on international humanitarian law, held in Kenya, in July 2005. VERTIC has continued to chair the BioWeapons Prevention Project (BWPP) and contributed to many of its activities including a series of seminars on BW issues hosted by the BWPP in New Zealand during February 2005 and a range of seminars held at the Meeting of Experts to the BWC in June 2005 and the BWC meeting of State Parties in December 2005. VERTIC was also an observer at an UNMOVIC biological weapons inspector training course held in the UK in July and August 2005.

VERTIC has also maintained a watching brief on chemical weapons concerns and in November 2005, observed the Tenth session of the Conference of States Parties to the Chemical Weapons Convention in Geneva, Switzerland.

Weapons of mass destruction

In January 2005, VERTIC submitted comments on the EU Strategy against Proliferation of Weapons of Mass Destruction and these formed part of the House of Lords report: 'Preventing Proliferation of Weapons of Mass Destruction: The EU Contribution' (April 2005). In April 2005, the Weapons of Mass Destruction Commission (WMDC) published a report written by VERTIC on: 'National measures to implement WMD treaties and norms: the need for international standards and technical assistance'.

In July 2005, under a one year grant from the UK Foreign and Commonwealth Office's Global Opportunities Fund, VERTIC initiated a major programme to raise awareness and build capacity among states to implement nuclear and biological weapons treaties, norms and UN Security Council resolutions (specifically UNSCR 1540) through national measures, including laws and regulations. The capacity building materials for this project are being developed through consultations with international and national civil servants and academia. These materials will provide the basis for a series of awareness raising seminars with diplomats on the margins of treaty meetings (the first of which took place on the margins of the December 2005 Meeting of States Parties to the BWC in Geneva, Switzerland). These meetings will be complemented by a set of regional seminars, commencing with pilot workshops in the Middle East and South Asia during 2006.

VERTIC's Deputy Director was also commissioned to write a chapter on 'UNSCR 1540 and the BWC' for a book on the Resolution, which will be published by the Brookings Institution and Chatham House in early 2006.

UN review of verification

In October 2005, VERTIC's Deputy Director presented a paper on 'Evolution in verification technologies' as part of an expert seminar on Verifying non-proliferation and disarmament agreements, organised by the UN Department for Disarmament Affairs. Subsequently she has been commissioned by UNIDIR to act as a consultant to the UN Governmental Panel of Experts on Verification, which is due to commence work in January 2006.

Environment

VERTIC's Climate Change Project continued apace this year. The Environment Researcher has written a major paper on the role of verification in the climate change regime, versions of which will appear in two forthcoming publications by International Institute of Applied Systems Analysis and the European Safeguards Research and Development Association. He has participated in a series of governmental and non-governmental climate change meetings, as well as the eleventh session of the UN Conference of the Parties to the Climate Change Convention (COP 11) and the first meeting of the Parties to the Kyoto Protocol (MOP 1), held in Montreal, Canada from 29 November to 9 December 2005. During this conference, VERTIC launched a Brief on the Kyoto Protocol's compliance mechanisms. The researcher has also contributed to the activities of the Climate Action Network (CAN).

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued) For the year ended 31 October 2005

Review of activities and future developments (continued)

The climate change work carried out during 2005 will be built on in the 2005-2007 grant period. Throughout the year, the researcher has kept a watching brief on developments in other multilateral environmental agreements.

Peace and human security

Although VERTIC had no dedicated staff or funding for its Peace and Human Security Programme, the organization maintained a watching brief in this area with articles in *Trust & Verify*. Furthermore a VERTIC Brief on verification of the Israeli-Palestinian Peace Agreement will be published in February 2006.

Conventional weapons

Despite the fact that VERTIC has not received dedicated funding for work on conventional arms and antipersonnel landmine issues for several years, the organization maintained a low level of engagement on this area. This led to VERTIC being commissioned by UNIDIR to write a paper on 'Verifying EU arms embargoes' and to contribute to UNIDIR's project on 'European Action on Small Arms, Light Weapons and Explosive Remnants of War' which was funded by the European Commission. VERTIC also re-established its membership of the International Action Network on Small Arms (IANSA) and joined the UK Working Group on Arms Transfers.

Publications, networking and information

VERTIC's publications, networking and information activities have continued apace. Four issues of *Trust & Verify* were issued, along with one new VERTIC Brief. VERTIC staff have also produced a number of commissioned reports (detailed above) and articles in a wide range of publications. In February 2005 VERTIC launched its online Verification Organizations Directory (VOD) with contact details for over 500 national and international entities based in 171 countries involved in verification activities in the field of arms control and disarmament. VERTIC also became a principal partner of the International Relations and Security Network (ISN), which provides an additional opportunity to promote VERTIC's work through a well-respected information clearinghouse. Due to lack of funds and delays in recruitment of key staff, work on the Verification Yearbook was postponed.

Staffing

This year VERTIC has seen important staff changes. Trevor Findlay, VERTIC's Executive Director of seven years resigned in early February 2005 and was replaced at the end of June by Michael Crowley. Angela Woodward was appointed Deputy Director in January 2005 and became Acting Director during the five month interregnum. In September 2005 Jez Smith joined VERTIC as Assistant Information Officer and Networker under the Quaker Peace and Social Witness programme, his salary funded by the Joseph Rowntree Charitable Trust. At the end of December 2005, VERTIC's Administrator, Ben Handley, resigned. A recruitment process is now underway for his replacement.

In November 2005, VERTIC successfully obtained funding from Polden Puckham to extend its Science Fellow Programme. The first three-month Science Fellow will join VERTIC in February 2006 and work on the verification of nuclear research and development (specifically weaponization of nuclear materials). A second Science Fellow will be recruited in July 2006 to work on an environmental programme project.

Fundraising

Given the very poor financial position of the organization in the first half of 2005, fundraising became the top priority for both the Acting Director and the incoming Executive Director. During this year, VERTIC obtained significant new grants from the UK Foreign and Commonwealth Office Global Opportunities Fund and the Ford Foundation. VERTIC also successfully renewed its two year grant from the Esmée Fairbairn Foundation. It received smaller grants from Polden Puckham to expand its Science Fellow programme and from the Joseph Rowntree Charitable Trust to upgrade its aged computer system.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued) For the year ended 31 October 2005

Review of activities and future developments (continued)

Despite these welcome funds the financial situation is still not satisfactory. Fund raising continues to be the top priority for the Executive Director. VERTIC has recently developed a three year environmental programme fundraising strategy to broaden and deepen funding in this area. A similar fundraising strategy is now being developed for other areas of the organization's work.

Dependence on volunteers

A steady stream of interns continued to be attracted to VERTIC. While interns make a great contribution to VERTIC's work and work ambience, it could not be said that VERTIC's operations were dependent on them.

Reserves policy and risk assessment

A detailed review of the VERTIC's activities, risks and opportunities is conducted annually by the trustees and staff and forms an integral part of the charity's strategic planning. The trustees are confident that a full spectrum of risks faced by the charity has been identified, quantified and where appropriate, action taken to mitigate those risks.

Our responses to the external risks identified play a key part in shaping our strategy and our operational plans. Internal risks are addressed by periodic reviews of internal controls and improvements in systems designed to minimise such risks. Examples include:

- Written procedures governing the delegation of authority to the Executive Director and to other staff.
- Formal limits of authorised expenditure for each staff member and the requirement for at least two signatories to approve transactions above specified levels.
- Segregation of duties amongst members of staff as far as possible.
- Regular reviews and reconciliations of the accounting records by the Executive Director.
- Responding to any control issues highlighted by our auditors.

A key component of the Trustees' strategy to mitigate risk is the policy of maintaining a level of unrestricted reserves, which ensures that there are adequate funds to meet all current and known future liabilities. In practice, the trustees consider that holding unrestricted reserves equivalent to three to six months' core costs provides sufficient resources to respond to unexpected adverse changes in VERTIC's funding or activities. This is equivalent to between £50,000 and £100,000 based on current costs. At present, the free funds amount to £14,272. The level of reserves is reviewed at regular intervals by the trustees, and consideration is being given to ways in which additional unrestricted funds can be raised.

VERTIC is an expanding charity in an ever-changing environment and the trustees are very much aware that the risks facing the charity are not constant. Consequently, the monitoring of risk will continue to be a high priority for the trustees and staff.

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 trustee's policy is to maintain all such monies on deposits earning a market rate of interest.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

TRUSTEES' REPORT (continued) For the year ended 31 October 2005

Financial review

VERTIC's income was £265,473 in the year ended 31 October 2005 compared to £293,249 for the year to 31 October 2004. The total expenditure was £301,854 for the year to 31 October 2005 compared to £292,924 for the year ended 31 October 2004. The fund balance carried forward at 31 October 2005 was £18,228 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £87,496 at 31 October 2005. The full Statement of Financial Activities is set out on page 9 of these accounts.

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

Details of the restricted projects are given in note 12 to the accounts. The trustees are confident that adequate resources are available to enable completion of these projects.

Trustees' responsibilities

Company and charity law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the charity will continue in operation).

The Trustees have overall responsibility for ensuring that the company has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

Auditors

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

This report was approved by the Trustees on 26 January 2006 and signed on its behalf, by:

 (O J GREENE)

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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 2005 set out on pages 9 to 20. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) under the historical cost convention and the accounting policies set out on pages 11 to 12.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE TRUSTEES AND AUDITORS

As described in the Statement of Trustees' Responsibilities the Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 and the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities', published in October 2000. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the company is not disclosed. We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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)

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 of the state of the company's affairs as at 31 October 2005 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Trustient

Trustient

Chartered Accountants & Registered Auditors
Buckingham House East
The Broadway
Stanmore
Middlesex
HA7 4EB

Date: 26 January 2006

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

STATEMENT OF FINANCIAL ACTIVITIES (incorporating income and expenditure account) For the year ended 31 October 2005

	Note	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
INCOMING RESOURCES					
Donations and similar incoming resources	2	-	64,310	64,310	47,496
Activities in furtherance of the charity's objects	3	182,606	16,384	198,990	243,153
Investment income		-	2,173	2,173	2,600
TOTAL INCOMING RESOURCES		182,606	82,867	265,473	293,249
RESOURCES EXPENDED					
<i>Costs of generating funds:</i>					
Fundraising	4	18,536	1,226	19,762	11,917
<i>Charitable expenditure:</i>					
<i>Costs of activities in furtherance of the charity's objects:</i>					
Verification research, training and provision of information	5	184,246	75,134	259,380	254,942
Resources expended on managing and administering the charity	6	2,112	20,600	22,712	26,065
TOTAL RESOURCES EXPENDED		204,894	96,960	301,854	292,924
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS		(22,288)	(14,093)	(36,381)	325
Transfers between Funds	12	2,220	(2,220)	-	-
NET (EXPENDITURE) / INCOME FOR THE YEAR		(20,068)	(16,313)	(36,381)	325
 TOTAL FUNDS AT 1 NOVEMBER 2004		 107,564	 34,541	 142,105	 141,780
TOTAL FUNDS AT 31 OCTOBER 2005		87,496	18,228	105,724	142,105

There were no recognised gains or loss for 2005 and 2004 other than those included in the Statement of Financial Activities.

The notes on pages 11 to 20 form part of these financial statements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

BALANCE SHEET As at 31 October 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Tangible fixed assets	8		6,276		8,368
CURRENT ASSETS					
Debtors	9	50,337		57,392	
Cash at bank		58,332		83,101	
		<u>108,669</u>		<u>140,493</u>	
CREDITORS: amounts falling due within one year	10	(9,221)		(6,756)	
			<u>99,448</u>		<u>133,737</u>
NET ASSETS	13		<u>105,724</u>		<u>142,105</u>
CHARITY FUNDS					
Restricted Funds	12		87,496		107,564
Unrestricted - General Funds	12		18,228		34,541
			<u>105,724</u>		<u>142,105</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 June 2002).

The financial statements were approved by the Trustees on 26 January 2006 and signed on their behalf, by:

 (OJ GREENE)

The notes on pages 11 to 20 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2005

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 2005). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000, applicable accounting standards and the Companies Act 1985.

1.2 Company status

The company 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, except as follows:-

- When donors specify that donations and grants given to the charity must be used in future accounting periods, the income is deferred until those periods.
- When donors impose conditions which have to be fulfilled before the charity becomes entitled to use such income, the income is deferred and not included in incoming resources until the pre-conditions for use have been met.

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.

Overheads have been allocated on the basis of staff costs.

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. Management and administration costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

1. ACCOUNTING POLICIES (continued)

1.6 Cash flow

The financial statements do not include a cash flow statement because the charitable company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.7 Tangible fixed assets and depreciation

All assets costing more than £200 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

Computer equipment funded through restricted project funding has been written off over the duration of the project.

1.8 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the SOFA as incurred.

1.9 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the 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 differences are taken into account in arriving at the net income/(expenditure) result.

1.10 Pensions

The charity subscribes to individual pension plans covering all its permanent employees. The staff contract stipulates that the charity will make contribution of at least 3% of basic pay provided the employee also contributes. Such contributions are held in funds administered by Friends Provident completely independently of the charity's finances. The charity's contributions are defined and no further liabilities accrue to the charity. Pension costs charged in the Statement of Financial Activities represent the contributions payable by the charity in the year.

1.11 Value Added Tax

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

1.12 Tax status

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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

2. DONATIONS AND SIMILAR INCOMING RESOURCES

	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
The Joseph Rowntree Charitable Trust	-	50,000	50,000	45,000
Quakers (donation in kind - see note 11)	-	14,137	14,137	-
Other income	-	173	173	2,496
Donations and similar incoming resources	-	64,310	64,310	47,496

3. INCOMING RESOURCES FROM ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTS

	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Grants receivable and service agreements:				
Blix Commission	-	10,503	10,503	-
Ploughshares Fund	-	-	-	26,940
Esmée Fairbairn Foundation	48,479	-	48,479	54,656
John D. and Catherine T. MacArthur Foundation	81,078	-	81,078	95,386
Polden-Puckham Charitable Foundation	-	-	-	5,800
The Netherlands Government - Ministry of Foreign Affairs	1,450	-	1,450	-
The Norwegian Government - Royal Ministry of Foreign Affairs	1,444	-	1,444	-
The Joseph Rowntree Charitable Trust	-	-	-	9,555
Foreign & Commonwealth Office - Global Opportunities Fund	45,097	-	45,097	20,000
Foreign & Commonwealth Office - BWC workshop	-	-	-	15,000
Canadian Government - Foreign Affairs Canada	5,058	-	5,058	14,853
United Nations Institute for Disarmament Research	-	1,957	1,957	-
Overseas Development Institute	-	3,000	3,000	-
Total grants and service agreements	182,606	15,460	198,066	242,190
Publications, yearbook and subscriptions	-	924	924	963
Total	182,606	16,384	198,990	243,153

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

4. FUNDRAISING

	Total Funds 2005 £	Total Funds 2004 £
Staff costs	19,762	11,917

5. CHARITABLE EXPENDITURE

SUMMARY BY EXPENDITURE TYPE

	Staff Costs 2005 £	Depreciation 2005 £	Other Costs 2005 £	Total 2005 £	Total 2004 £
Verification research, training and provision of information	129,773	773	128,834	259,380	254,942
Resources expended on managing and administering the charity	13,855	1,319	7,538	22,712	26,065
Total	143,628	2,092	136,372	282,092	281,007

VERIFICATION RESEARCH, TRAINING AND PROVISION OF INFORMATION

	2005 £	2004 £
Research and education costs	17,963	20,061
Staff costs	129,773	132,196
Internship - in kind (see note 11)	14,137	-
Office costs	46,702	28,614
Financial and legal costs	1,470	1,800
Printing costs	9,291	15,977
Postage and stationery	9,251	11,725
Communication expenses	3,729	4,675
Travelling expenses	16,387	19,991
Advertising	3,751	1,563
Hire of equipment	723	1,064
Depreciation	773	1,354
Other costs	4,735	6,477
Relocation costs	695	9,445
Total	259,380	254,942

Research and education costs include conference costs, publications costs, website maintenance costs, subscriptions, consultancy and course fees. Office costs rose from £28,614 in 2004 to £46,702 in 2005. This increase reflected a move to a new property providing greater space and more facilities. It should be noted that the rent in the previous property would also have risen substantially over this period as the lease was due for re-negotiation.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

6. RESOURCES EXPENDED ON MANAGING AND ADMINISTERING THE CHARITY

	Total Funds 2005 £	Total Funds 2004 £
Staff costs	14,225	14,804
Financial and legal costs	4,923	5,389
Bank charges	699	700
Depreciation	1,319	3,400
Other administration costs	1,546	1,771
Total	22,712	26,065

7. NET EXPENDITURE

This is stated after charging:

	2005 £	2004 £
Depreciation of tangible fixed assets: - owned by the charity	2,092	4,754
Auditors' remuneration - as auditors	3,596	3,466
- other services	1,297	1,339
Pension costs	2,970	2,152

During the year, no Trustees received any remuneration (2004 - £NIL).

During the year, no Trustees received any benefits in kind (2004 - £NIL).

During the year, 5 Trustees received £1,718 for reimbursement of travel expenses, and 1 Trustee received £283 reimbursement of accommodation costs (2004 - 4 Trustees received £223 for travel).

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

8. TANGIBLE FIXED ASSETS

	Furniture and fittings £	Computer equipment £	Office equipment £	Total £
Cost				
At 1 November 2004 and 31 October 2005	4,251	18,180	15,606	38,037
Depreciation				
At 1 November 2004	3,422	13,711	12,536	29,669
Charge for the year	207	1,117	768	2,092
At 31 October 2005	3,629	14,828	13,304	31,761
Net book value				
At 31 October 2005	622	3,352	2,302	6,276
At 31 October 2004	829	4,469	3,070	8,368

9. DEBTORS

	2005 £	2004 £
Due within one year		
Trade debtors	142	564
Other debtors	-	544
Prepayments	1,716	1,628
Grants Receivable	48,479	54,656
	<u>50,337</u>	<u>57,392</u>

10. CREDITORS: Amounts falling due within one year

	2005 £	2004 £
Trade creditors	162	2,819
Social security and other taxes	4,499	-
Other creditors	436	-
Accruals	4,124	3,937
	<u>9,221</u>	<u>6,756</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

11. STAFF COSTS AND NUMBERS

Staff costs were as follows:

	2005 £	2004 £
Wages and salaries	145,456	141,814
Social security costs	14,964	14,951
Pension costs	2,970	2,152
Internship costs - in kind	14,137	-
	<u>177,527</u>	<u>158,917</u>

The Quaker Peace and Social Witness Society financed the provision of an intern to VERTIC in the year of review. The charity has borne no direct cost for this internship. The value included in the financial statements above as a donation in kind, reflects the estimated cost that would have been incurred by Vertic had they funded the internship from their own finances.

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

	2005 No.	2004 No.
Executive Director	1	1
Administrator	1	1
Project staff	3	2
Information officer/Networker	1	1
	<u>6</u>	<u>5</u>

The number of higher paid employees was:

	2005 No.	2004 No.
In the band £50,001 - £60,000	<u>0</u>	<u>1</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

12. STATEMENT OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
UNRESTRICTED FUNDS					
General Funds	<u>34,541</u>	<u>82,867</u>	<u>96,960</u>	<u>(2,220)</u>	<u>18,228</u>

Funds available are sufficient to permit the company to continue in operation in the short term given the continued support of sponsors. Should this support not continue in the longer term, further financial support would need to be sought to replace it.

RESTRICTED FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Kyoto Protocol Project	67,352	48,479	67,352	-	48,479
Arms Control and Disarmament Programme	25,458	53,049	56,020	2,220	24,707
Information/Networking Programme	9,241	81,078	77,046	-	13,273
VERTIC Science Fellowship	4,083	-	3,782	-	301
Relocation Costs	1,430	-	694	-	736
Total	<u>107,564</u>	<u>182,606</u>	<u>204,894</u>	<u>2,220</u>	<u>87,496</u>

Each of the projects is described in more detail below:

Kyoto Protocol Project

This project promotes effective verification of the Kyoto Protocol to the United Nations Framework Convention on Climate Change. This is the second year of a 2 year grant from the Esmée Fairbairn Foundation.

Arms Control & Disarmament Programme

In this programme, funded by various funders, Ploughshares Fund, the Foreign & Commonwealth Office 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.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

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.

VERTIC Science Fellowship

Funding received in the previous financial year from Polden-Puckham Charitable Foundation was used to provide for a Science Fellowship. This enabled VERTIC to appoint a scientist in this post on a short-term contract to work on the Fissile Material Cut-off Treaty.

Relocation Costs

VERTIC relocated to new premises during the previous year. The costs related to the relocation were partially funded by the Joseph Rowntree Charitable Trust. The balance of funding still remaining will be fully utilised in the coming financial year, in accordance with the funding agreement, for equipment purchases.

SUMMARY OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
General Funds	34,541	82,867	96,960	(2,220)	18,228
Restricted Funds	107,564	182,606	204,894	2,220	87,496
Total of Funds	<u>142,105</u>	<u>265,473</u>	<u>301,854</u>	<u>-</u>	<u>105,724</u>

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Tangible fixed assets	2,320	3,956	6,276	8,368
Current assets	85,176	23,493	108,669	140,493
Creditors due within one year	-	(9,221)	(9,221)	(6,756)
Total	<u>87,496</u>	<u>18,228</u>	<u>105,724</u>	<u>142,105</u>

14. 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.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 October 2005

15. OPERATING LEASE COMMITMENTS

At 31 October 2005 the company had annual commitments under non-cancellable operating leases as follows:

	2005 £	2004 £
Expiry date:		
Between 2 and 5 years	<u>37,302</u>	<u>37,302</u>