

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



**TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

**Charity number 1073051
Registered number 03616935**

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THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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(Limited by Guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 OCTOBER 2007**

Trustees

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

Company registered number

03616935

Charity registered number

1073051

Registered office

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

Company Secretary

Angela Woodward (to 19 June 2007)
Andreas Persbo (from 6 September 2007)

Chief executive officer

Michael Crowley (to 17 August 2007)
Angela Woodward (from 17 August 2007)

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 2007

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 2007. 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 14 February 2007 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 2007

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 is currently less active than the other two.

Summary of the objectives for the year ended 31 October 2007

There have been no changes to the company's objectives as established by VERTIC's current 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 summarized 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.
- **Organizational 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 organizations.

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**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 OCTOBER 2007**

Significant activities

1) Arms control and disarmament projects (1 November 2006 – 31 October 2007)

a) National implementation of treaties and norms prohibiting weapons of mass destruction (WMD)
(Funders UK Global Opportunities Fund (GOF) and the Government of the Netherlands)

i) Building capacity to implement nuclear and biological weapons treaties, norms and UN Security Council Resolutions VERTIC staff members reinforced the success of the NIM seminars and workshops it held during the previous fiscal year by participating in the following events sponsored by other organizations

(1) 'Steps towards a Middle East WMD Free Zone—examining verification and national implementation measures', presentation by Michael Crowley to a conference on 'The Middle East Weapons of Mass Destruction Free Zone', organized by Centre of International Studies and Diplomacy, School of Oriental and African Studies (SOAS) and British Pugwash London, 7 November 2006

(2) 'UN Security Council Resolution 1540 and its relevance for global export controls', presentation by Andreas Persbo to the conference, 'Strengthened Export Controls Pakistan's Export Experience Current and Future Challenges and Options', organized by the South Asian Strategic Stability Institute (SASSI) Brussels, Belgium, 16-17 November 2006

(3) 'The national implementation of weapons-related treaties', presentation by Angela Woodward to the International Committee of the Red Cross (ICRC) workshop on 'International Humanitarian Law New Treaties and Implementation—the East Asian Perspective', Hanoi, Vietnam, 30 November-1 December 2006

(4) VERTIC treaty fact sheet no 6 'National implementation measures for United Nations Security Council Resolution 1540 (2004)' published February 2007

(5) 'The 'Next One Hundred' Project Building a Global Toolkit to Support 1540 Implementation and Strengthen the International Nonproliferation Regime' VERTIC was represented by Andreas Persbo The meeting was organized by the Henry L Stimson Center and the Stanley Foundation, 28-29 June 2007, Brussels, Belgium

(6) Briefing by Angela Woodward to the UN 1540 Committee meeting with non-governmental organizations (NGOs) working on UNSCR 1540 projects, 12 July 2007, New York

(7) Launch of the VERTIC National Implementation Measures (NIM) website, August 2007 The site offers a wide range of practical resources, official texts and background analysis to help states understand and draft effective national implementation measures for treaties and norms prohibiting WMD, including where to find help The web address is www.vertic.org/NIM Where available, documents are made available in the six official languages of the United Nations as well as any other languages available

(8) 'National measures to prevent violations of the 1972 Biological Weapons Convention', presentation by Angela Woodward, to the ICRC workshop, 'Regional Meeting on National Implementation of International Humanitarian Law in the Americas', 6-7 August 2007, Mexico City, Mexico

(9) 'Working with research institutions that assist in implementation efforts', presentation by Angela Woodward to the UN workshop, 'Implementing United Nations Security Council Resolution 1540 (2004)', 4-5 September, 2007, Amman, Jordan The workshop was hosted by the Government of Jordan, organized by the UN Office for Disarmament Affairs and sponsored by the European Union and the Governments of Norway and the United States

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2007

- ii) **Assessing the impact of UNSCR 1540** (Funders The John D and Catherine T MacArthur Foundation, the Ford Foundation)

Under this project VERTIC staff are conducting research to assess how states are fulfilling their obligations under UN Security Council Resolution 1540, to examine the willingness and capacity of states to reduce the threat of proliferation by means of this resolution, and to examine the 1540 Committee's role as a monitoring body. Empirical research for this project is undertaken through activities under the 'Building capacity to implement nuclear and biological weapons treaties, norms and UN Security Council Resolutions' project (details above)

- b) **Implementation of country-specific verification** (Funder the Joseph Rowntree Charitable Trust)

VERTIC staff discussed verification issues and developments in Iran in the following publications and presentations

- i) 'Iran's nuclear programme a challenge for verification', by Andreas Persbo, Presentation to Islamic Republic News Agency (IRNA)-organized roundtable, 1 December 2006
 - ii) VERTIC press briefing 'How can Iran persuade the rest of the world that its nuclear programme is peaceful?' Presentations by Andreas Persbo and James Acton. The briefing was attended by the BBC Security Correspondent, the Jane's Defense Weekly Non-proliferation Editor, Islamic Republic News Agency, the Financial Times and the Guardian Science Editor. 21 May 2007, London
 - iii) 'Thinking inside the box: exploring legal approaches to build confidence in Iran's nuclear programme', by Andreas Persbo, Verification Matters no 7, May 2007
 - iv) 'Use of voluntary transparency measures to increase trust in states' nuclear programmes: the case of Iran', by James Acton with Joanna Little, Verification Matters no 8, May 2007
 - v) VERTIC submitted a statement to the UK Parliament's Foreign Affairs Committee 'Inquiry into Global Security: Iran' on 8 June 2007. The text of the statement will be available on the VERTIC website following publication of the FAC report later in 2007. The submission was written by Michael Crowley, Andreas Persbo and James Acton
 - vi) 'Building a common approach to the Iranian nuclear problem'. Andreas Persbo participated in this meeting jointly organized by the International Institute for Strategic Studies, Carnegie Moscow Center, Institute of World Economy and International Relations. 17-18 October 2007, Moscow, Russia
- c) **The 1996 Comprehensive Nuclear Test Ban Treaty (CTBT)** (Funders the Governments of Germany and Ireland)
- VERTIC and the US-based Arms Control Association (ACA) jointly organized a seminar on 'The CTBT achievements, challenges and opportunities' during the CTBT Entry-into-Force conference in Vienna, Austria on 18 September 2007. More than 100 delegates and members of civil society attended the event.
- d) **Promoting effective verification of the 1972 Biological Weapons Convention (BWC)** (Funders John D and Catherine T MacArthur Foundation, Ploughshares Foundation)

This project continues to be one of VERTIC's most active, as shown by the following publications and events

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**TRUSTEES' REPORT (continued)
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i) **BWC Sixth Review Conference in Geneva, Switzerland**, Nov-Dec 2006 (Funder Peace and Disarmament Education Trust (PADET), New Zealand for a VERTIC staff member to attend the Conference)

(1) Pre-conference seminar to launch 'Briefing Book for the BWC Sixth Review Conference 2006', jointly published with the British-American Security Information Council (BASIC) and the Harvard-Sussex Program for delegates' use during the conference 9 November 2006 (Publication funder Government of the Netherlands)

(2) Statement by Michael Crowley to the Sixth Review Conference 21 November 2006

(3) 'Interpol's Model Law to prohibit biocrimes and to promote biosafety and biosecurity,' seminar jointly organized with Interpol on the margins of the conference 5 December 2006

ii) Two workshops on '**Civil society, governance and biological weapons**', held at BIOS, London School of Economics Angela Woodward represented VERTIC in two meetings of an informal UK working group on BW 12 March and 23 April 2007, London

iii) **Meeting of the BWC Informal Assistance Group** VERTIC was represented by Angela Woodward and Rocio Escauriaza 7 June 2007, Paris, France

iv) **2007 Meeting of Experts to the Biological Weapons Convention (August 2007)**

(1) 'Building capacity to implement the Biological and Toxin Weapons Convention Summary of a VERTIC project' Presentation by Rocio Escauriaza to launch the NIM website (see above)

(2) 'Building Capacity to Implement the Biological and Toxin Weapons Convention Summary of a VERTIC Project' Working Paper highlighting the NIM website drafted by VERTIC and submitted by the Governments of the Netherlands and the United Kingdom (joint funders of the NIM project)

(3) 'National data collection processes for CBM submissions' Working Paper submitted by the Government of Switzerland, written with the participation of VERTIC

(4) 'International and Regional Initiatives to Enhance National Implementation of the Convention' Presentation by the BWC Implementation Support Unit, UN Office for Disarmament Affairs, Geneva Various VERTIC activities are highlighted, among work carried out by a range of organizations

e) **The 1993 Chemical Weapons Convention (CWC)**

Angela Woodward gave a presentation on 'Verifying the 1993 Chemical Weapons Convention challenges facing the Second Review Conference-a civil society perspective', to a seminar hosted by the UK Foreign & Commonwealth Office (FCO) on 26 March 2007. The seminar, which also marked the tenth anniversary of the CWC's entry into force, was an opportunity for UK officials to learn the views of national stakeholders as they continue to shape UK policy for the Review Conference to be held in April 2008

f) **Verification of nuclear arms reductions** (Funder Norwegian Radiation Protection Authority (NRPA))

i) 'Verification of nuclear disarmament', closed workshop for UK and Norwegian research communities facilitated by VERTIC, London, 1 March 2007

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TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2007

ii) Angela Woodward and Andreas Persbo attended a three-day workshop on the verification of nuclear arms reductions, which concluded the project begun by the workshop above. The latter workshop was facilitated by the Norwegian Defence Research Establishment 19-21 August 2007, Kjeller, Norway

g) The 1968 Nuclear Non-proliferation Treaty (NPT) / International Atomic Energy Agency (IAEA)

i) UK NGO meeting with the UK Ambassador to the Preparatory Committee (PrepCom) for the 2010 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), VERTIC was represented by Angela Woodward, Andreas Persbo, and James Acton, London, 3 April 2007

ii) 'Balancing Three with Six: Moving towards a Stable Equilibrium', NPT PrepCom, NGO side event seminar organized jointly by VERTIC and the British American Security Information Council (BASIC) 3 May 2007, Vienna, Austria

iii) 'IAEA verification of military research and development', presentation by James Acton to the 29th Annual Meeting of the European Safeguards Research and Development Association (ESARDA) 22-24 May, Aix-en-Provence France

h) Fissile material cut-off treaty (FMCT)

(i) 'LockDown, CleanOut, FissBan', roundtable at the Stanley Foundation 48th Strategy for Peace Conference. Participants examined global questions about the future endpoints and direction of US and international actions to secure, reduce, and control weapons-usable nuclear material. Andreas Persbo represented VERTIC 25-27 October 2007, Warrenton, Virginia, USA

i) Conventional weapons / small arms and light weapons (SALW)

i) 'Regional Dimensions of Global SALW Transfer Principles', international seminar attended by Michael Crowley, 8 February 2007, Ontario, Canada

ii) Arms Trade Steering Committee meeting—VERTIC was represented by Michael Crowley, 9-10 February 2007, Ontario, Canada

iii) Joint stakeholder workshop for the 2nd Export Control Act Review, Michael Crowley represented VERTIC 29 March 2007, London

2) Environmental agreements projects (1 November 2006 – 31 October 2007)

a) Tackling climate change through the 1992 UN Framework Convention, the 1997 Kyoto Protocol and the post-2012 regime: promoting verification and implementation (Funder: Esmée Fairbairn Foundation)

Larry MacFaul (VERTIC) and Maria Khovanskaia from the Regional Environmental Centre for Central and Eastern Europe (REC) gave a joint presentation, 'Fulfilling the monitoring and reporting requirements under the UNFCCC and Kyoto Protocol' on Monday, 6 November 2006 at an NGO side event at the Conference of Parties/Meeting of States Parties (COP/MOP2) in Nairobi, Kenya. They presented the major findings of the workshop, 'Fulfilling the monitoring and reporting requirements under the UNFCCC and Kyoto Protocol: Facilitating appropriate and effective monitoring and reporting procedures and capacity building in Central Eastern and South Eastern Europe, the Russian Federation and Turkey', co-hosted by VERTIC and REC in Budapest, Hungary in the preceding fiscal year (on 9-10 October 2006).

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b) The future of international cooperation on climate change proposals for the post-2012 regime

During the latter half of the reporting period, VERTIC began to prepare a new project which will examine monitoring, reporting, review and compliance issues in proposals for the post-2012 climate change regime. As part of the preparation for this major project, VERTIC is liaising extensively with potential funders, project partners and research contributors.

c) 'CDM 2.0—what post-2012 mechanisms do we need?' Larry MacFaul represented VERTIC at this conference and the follow-up Climate Action Network (CAN) workshop afterwards 15-16 October 2007, Brussels, Belgium.

3) **Peace agreements** (No funder at this time) VERTIC staff continue to maintain a watching brief on verification matters related to peace agreements.

4) Other activities

a) Publication of Trust & Verify, no 123, March 2006-March 2007

b) VERTIC in the media

i) Nuclear issues, especially the Iranian and North Korean nuclear programmes, accounted for most of the press approaches to VERTIC. In addition to the VERTIC press briefing mentioned above, Andreas Persbo gave statements, interviews and background briefings to the following media outlets, among others: Al Jazeera, Asahi Shimbun, BBC, de Volkskrant (a Dutch newspaper), the Islamic Republic News Agency (IRNA), Mainichi Daily News, Mainichi Shimbun, and Radio Netherlands' programme, Newslive.

ii) Angela Woodward was interviewed by Chris Schneidmiller, Global Security Newswire, for his article, 'Chemical Weapons Pact Hits 10 with Challenges Ahead'.

iii) Global Security Newswire also covered the VERTIC/ACA seminar at the CTBT Entry-into-Force conference. The CTBTO press release, in which the seminar featured prominently, was picked up by several news sites on the web: Media for Freedom Political Affairs magazine, and Scoop (New Zealand).

c) BA Festival of Science two-part event, 'Nuclear swords into energy ploughshares' (panel discussion) and 'A global cleanout of nuclear weapons material' (keynote talk & drinks reception) at the 2007 BA Festival of Science, University of York, UK, 11 September 2007. The event was jointly organized by British Pugwash, the WMD Awareness Programme (WMD AP) and VERTIC.

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.

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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 three instances where its work has helped to set and/or inform such agendas

1) VERTIC's well-regarded work to promote effective, coherent verification systems for the 1992 United Nations Framework Convention on Climate Change (UNFCCC) and its 1997 Kyoto Protocol and proposals for the post-2012 regime means that VERTIC's views and collaboration are sought after in the current discussions of the post-2012 climate change regime, especially within the Climate Action Network (CAN)

In late 2006, VERTIC's Environment Researcher was asked to review the new UNFCCC Secretariat Kyoto Protocol Reference Manual on Accounting for Emissions and Assigned Amount. This manual, now available, is an important tool that promotes the implementation of monitoring and reporting requirements under the Kyoto Protocol. The UNFCCC Secretariat's request for VERTIC's involvement in this publication illustrates the respect for our work by the UNFCCC Secretariat and the standing of VERTIC in the climate change community. The Environment Researcher also reviewed the Overseas Development Institute (ODI) case study on the climate change verification system during this period.

2) The true nature of Iran's nuclear programme continues to perplex and challenge the international community. VERTIC's two reports in the Verification Matters series (see 'activities' above) provided fresh thinking on how to resolve the current diplomatic impasse between Iran and opponents of its nuclear activities by suggesting how Iran might enhance assurance in the peaceful nature of its nuclear programme by agreeing to a range of voluntary confidence-building measures through a mutually acceptable international framework. VERTIC has since met with the Iranian ambassadors to the UK and to the United Nations in Vienna to discuss the reports, and has distributed them widely among the diplomatic community and relevant IGOs.

3) Responding to the need to strengthen the BWC regime, VERTIC has for some time proposed a number of modular mechanisms that could be adopted individually or in combination, most recently elaborated in Verification Matters no 6 (see above). The report was well-received at the BWC Sixth Review Conference in 2006 and helped to inform states' and civil society's discussions. Certain proposals have been taken up in one form or another and are of continued relevance to efforts to strengthen the Convention in the next BWC meeting cycle.

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.

One example of VERTIC's commitment to outreach was the seminar it held with REC at the 2006 COP/MOP2 in Nairobi, Kenya to discuss the findings of their joint workshop on 'Fulfilling the monitoring and reporting requirements under the UNFCCC and Kyoto Protocol. Facilitating appropriate and effective monitoring and reporting procedures and capacity building in Central Eastern and South Eastern Europe, the Russian Federation and Turkey'.

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Holding this follow-up seminar at the COP/MOP—the largest annual climate change meeting, bringing together governments and civil society—meant that VERTIC was able to raise awareness among a second, knowledgeable and influential audience of international players, in addition to the workshop participants

A second example of VERTIC's outreach effectiveness is that it has been approached over the past year by a small but rising number of states to provide technical assistance and/or advice, either with legislative surveys or legal drafting, as part of its national implementation measures project for nuclear, biological and chemical weapons (NBC) treaties and norms. Related to this, the UN 1540 Committee invited VERTIC to present an overview of civil society assistance for UNSCR 1540 implementation at a workshop in Amman, Jordan (4-5 September 2007) and the US State Department has informally asked VERTIC to circulate information on legislation among a group of NGOs working on UNSCR 1540 implementation

As a third example of VERTIC's ability to reach the international community, more than 100 delegates to the CTBT Entry-into-Force Conference in September 2007 attended the joint VERTIC / Arms Control Association seminar held as an NGO side event. This was the largest diplomatic audience for a VERTIC event in recent years

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 the designing and populating the National Implementation Measures (NIM) website to make the site as informative and easy to use as possible for states consulting its wealth of material. The site drew praise from several states' delegations at its launch at the BWC Meeting of Experts in August (see above). The centre plans a major campaign to promote the site with state governments to begin at the end of the financial year (in late October 2007)

In addition to externally-sourced material, the site features capacity-building resources developed by VERTIC, either on its own or in cooperation with others. The VERTIC NIM treaty fact sheets series, which provides states with a basic introduction to their NIM obligations under the major arms control and disarmament treaties and UN resolutions, is one such resource

The ICRC-VERTIC 'A Model Law The Biological and Toxin Weapons Crimes Act' and Interpol's Draft Model Legislation to Prohibit Biocrimes and to Promote Biosafety and Biosecurity (to which VERTIC contributed) are also included

In addition to the NIM website, VERTIC is undertaking BW legislative surveys in response to requests for information from governments

Organizational funding objective

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

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The centre raised just over £244,455 in new grants in the past financial year. These include the following

- Esmée Fairbairn Foundation—to support the climate change project £20,000
- Governments of Germany and Ireland—CTBT seminar (€2,400 each) £3,250
- Government of the Netherlands—national implementation measures project (over two years November 2006–October 2008) £75,000
- Joseph Rowntree Charitable Trust—core funding (over three years October 2006–September 2009) £120,000
- London School of Economics—consultancy on biological weapons confidence-building measure project (funded by Government of Switzerland) £1,500
- Norwegian Radiation Protection Authority (NRPA)—verification of nuclear arms reduction project £23,000
- Peace and Disarmament Education Trust (PADET), New Zealand—travel costs for a VERTIC staff member to participate in the BWC Sixth Review Conference (NZ\$5,000) £1,705

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

- John D. and Catherine T. MacArthur Foundation—projects on BWC modular mechanisms & assessment of states' implementation of UNSCR 1540 (over one year June 2006–June 2007) US \$100,000
- Esmée Fairbairn Foundation—to support climate change project (over period November 2005–March 2007) £72,718
- Ford Foundation—assessment of states' implementation of UNSCR 1540 (over two years December 2005–November 2007) US \$125,000
- Ploughshares Fund—BWC modular mechanisms project (over one year June 2006–June 2007) US \$50,000
- UK Global Opportunities Fund (GOF)—national implementation measures project (over two years October 2006–September 2008) £272,000

The trustees reiterate the concern expressed in their previous report that despite the success of fundraising efforts this financial year, the company needs to raise more unrestricted funding to sustain core activities. In this regard, it should be noted that VERTIC's recent move to smaller, less costly premises will significantly reduce rental and service charges over the coming year.

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.

First, there have been several staff changes. The two that had the greatest immediate impact were that 1) VERTIC's Administrator went on maternity leave in early June 2007, and 2) Angela Woodward, previously Deputy Director, succeeded Michael Crowley as Executive Director in August 2007.

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Along with other personnel changes, these have required staff to be flexible, including temporarily taking on administrative and website duties normally outside their chief areas of work. While these changes have meant extra work in the short term, VERTIC has been able to cope well, thanks to the effectiveness of its management systems and, of course, the willingness of staff to be flexible.

In the absence of VERTIC's full time Administrator, the centre has engaged a bookkeeper on a part-time basis to ensure that the accounts are up-to-date. Although this is a temporary arrangement, it has proved worthwhile in enabling the incoming Executive Director and the Board to maintain financial oversight. VERTIC's Administrator is expected to return to work in January or February 2008.

In addition to the staff changes noted above, VERTIC moved to a smaller office in Development House in late September 2007. The move has two chief benefits: 1) it significantly reduces VERTIC's rent and service charges, enabling the centre to operate in a more cost-effective manner, and 2) it allows staff to communicate more freely within the open-plan office while retaining a quiet room for reading and staff meetings, thus encouraging productivity.

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, often limiting the amount that can go to overheads and other core costs—this is particularly true in the case of VERTIC's major grant from the UK Global Opportunities Fund, which consumes a high percentage of staff time, while allowing a mere 5% of the grant to go to core costs,
- Some donors are only willing to fund an organization and/or its programmes over a fixed or limited number of months or years, and
- Identifying new short- and long-term donors

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.

Over the past two financial years, VERTIC has been fortunate to secure a number of grants from governments that help sustain its arms control and disarmament programme. VERTIC is careful to ensure that it retains its independence and impartiality in these cases, and that there is a balance between governmental and foundation funding.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2007

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 recognizes, 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 need to ensure this through regular review of salary levels at comparable (in terms of mission, staff size and funding) organizations and the diligent even-handed administration of the personnel system.

3) **Changes in international priorities in the centre's programme areas** Perhaps the most illustrative current example of how such changes might affect VERTIC's work is a brief look at the impact of UN Security Council Resolution 1540 (UNSCR 1540). In the post 9/11 years prior to adoption of the resolution in 2004, many American charitable foundations directed their funding inward, moving away from long-established, more traditional arms control and disarmament programmes to projects concerned with homeland security. Many NGOs working internationally on arms control and disarmament found it difficult to compete for funds given the domestic interests of the US foundations. To some degree, UNSCR 1540 has ameliorated this situation, creating an opportunity for VERTIC and others to cast their previous international arms control and disarmament interests to support the implementation of the resolution in a way that also addresses the American foundations' concerns regarding homeland security.

While this example has been given with reference to VERTIC's arms control and disarmament work, the risk applies similarly to the environment programme. For example, support for multilateral environmental agreements (MEAs) may fluctuate as certain governments emphasize their own technological solutions, rather than treaty law, to the problems caused by climate change.

The trustees appreciate that in such times of change, VERTIC can only survive by being responsive and adaptable, while not compromising its primary mission of promoting effective verification of international agreements.

FINANCIAL REVIEW

Although the organisation was £49,625 in surplus with a positive balance of £64,697 on restricted funding it had a deficit of £15,072 (2006 deficit of £34,524) with regard to unrestricted funding, as of 31 October 2007.

The new Executive Director has been working 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 address this imbalance, including by

- 1) Developing full cost recovery budgets for project proposals submitted to funders, including overhead costs,
- 2) Seeking further unrestricted grants from a wider range of funding sources (including charitable foundations and governments) to reverse the unrestricted funds deficit,
- 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 (most significantly, by moving offices in September 2007, thereby halving rent and building service charges)

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 OCTOBER 2007

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.

VERTIC's income was £311,516 in the year ended 31 October 2007 compared to £332,041 for the year ended 31 October 2006. The total expenditure was £314,678 for the year ended 31 October 2007 compared to £384,979 for the year ended 31 October 2006. The fund balance carried forward at 31 October 2007 was (£15,072) on unrestricted general reserves. The restricted reserves balance on ongoing projects was £64,697 at 31 October 2007. 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 27 and 28 to the accounts. 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 working directly with governments requesting legislative drafting assistance,
- 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) including involvement in new treaty negotiation processes (arms trade, cluster munitions etc), 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

3 Outreach

- 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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 OCTOBER 2007**

TRUSTEES' RESPONSIBILITIES

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in operation.


The Trustees are responsible for keeping proper accounting records that 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 prevention and detection of fraud and other irregularities.

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 25 February 2008 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 2007 set out on pages 18 to 29. 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 2005).

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)

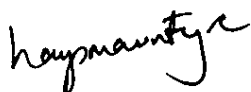
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE VERIFICATION RESEARCH,
TRAINING AND INFORMATION CENTRE (VERTIC)**

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 2007 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

Date 25 February 2008

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 2007

	Note	Restricted Funds 2007 £	Unrestricted Funds 2007 £	Total Funds 2007 £	Total Funds 2006 £
INCOMING RESOURCES					
<i>Incoming resources from generated funds:</i>					
Voluntary income	2	-	56,754	56,754	30,652
Investment income		-	1,874	1,874	1,974
<i>Incoming resources from charitable activities</i>		234,397	18,492	252,889	299,415
TOTAL INCOMING RESOURCES		234,397	77,120	311,517	332,041
RESOURCES EXPENDED					
<i>Costs of generating funds.</i>					
Generating voluntary income	5	5,000	998	5,998	5,112
<i>Charitable activities</i>		252,010	51,032	303,042	369,023
<i>Governance costs</i>	6	-	5,638	5,638	10,844
TOTAL RESOURCES EXPENDED		257,010	57,668	314,678	384,979
MOVEMENT IN TOTAL FUNDS FOR THE YEAR - NET INCOME/(EXPENDITURE) FOR THE YEAR		(22,613)	19,452	(3,161)	(52,938)
<i>Total funds at 1 November 2006</i>		<i>87,310</i>	<i>(34,524)</i>	<i>52,786</i>	<i>105,724</i>
TOTAL FUNDS AT 31 OCTOBER 2007		64,697	(15,072)	49,625	52,786

There were no recognised gains or loss for 2006 and 2005 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 2007**

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible fixed assets	10		9,043		12,058
CURRENT ASSETS					
Debtors	11	3,803		36,565	
Cash at bank		<u>74,419</u>		<u>20,705</u>	
		78,222		57,270	
CREDITORS amounts falling due within one year	12	<u>(37,640)</u>		<u>(16,542)</u>	
NET CURRENT ASSETS			<u>40,582</u>		<u>40,728</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>49,625</u>		<u>52,786</u>
CHARITY FUNDS					
Restricted funds	13		64,697		87,310
Unrestricted funds	13		<u>(15,072)</u>		<u>(34,524)</u>
			<u>49,625</u>		<u>52,786</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 2005)

The financial statements were approved and authorised for issue by the Trustees on 25 February 2008 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 2007**

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" 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.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2007

1 ACCOUNTING POLICIES (continued)

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 basis of staff cost.

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.

1.7 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

1.8 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.

1.9 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.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

1 9 Pensions

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

1.10 Value Added Tax

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

1.11 Tax status

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

2 VOLUNTARY INCOME AND CORE FUNDING

	Restricted Funds 2007 £	Unrestricted Funds 2007 £	Total Funds 2007 £	Total Funds 2006 £
Joseph Rowntree Foundation Trust	-	30,000	30,000	15,000
Quakers (donation in kind)	-	26,754	26,754	14,094
Other donation	-	-	-	1,558
Total	-	56,754	56,754	30,652

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Restricted £	Unrestricted £	Total 2007 £	2006 £
NRPA	-	18,392	18,392	-
Ploughshares Fund	-	-	-	27,444
Esmée Fairbairn Foundation	20,000	-	20,000	24,239
John D & Catherine T MacArthur Foundation	-	-	-	52,797
Polden - Puckham Charitable Foundation	-	-	-	10,000
The Joseph Rowntree Charitable Trust	17,260	-	17,260	34,760
FCO - Global Opportunity Fund	136,000	-	136,000	63,145
Ford Foundation	-	-	-	70,987
CTBT Funders	3,250	-	3,250	7,949
United Nations Institute for Disarmament Research	-	-	-	7,799
Netherlands (NIM)	56,176	-	56,176	-
PADET	1,712	-	1,712	-
Publication, Year books & Subscriptions	-	100	100	295
Total	234,398	18,492	252,890	299,415

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

4 RESOURCES EXPENDED

	Direct staff costs £	Support costs £	2007 £	2006 £
Cost of generating voluntary income	5,000	998	5,998	5,112
Verification Research, Training and provision of Information	252,613	50,428	303,041	369,023
Governance	4,700	938	5,638	10,844
Total	<u>262,313</u>	<u>52,364</u>	<u>314,677</u>	<u>384,979</u>

5 COST OF GENERATING VOLUNTARY INCOME

	Restricted Funds 2007 £	Unrestricted Funds 2007 £	Total Funds 2007 £	Total Funds 2006 £
Staff costs	5,000	-	5,000	3,867
Support costs	-	998	998	1,245
	<u>5,000</u>	<u>998</u>	<u>5,998</u>	<u>5,112</u>

6 GOVERNANCE

	Total Funds 2007 £	Total Funds 2006 £
Staff costs	-	3,693
Audit fees	4,700	4,359
Support costs	938	2,792
	<u>5,638</u>	<u>10,844</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

7. SUPPORT COSTS COMPRISE OF:

	Staff costs £	Premises costs £	Office costs £	2007 £	2006 £
Cost of generating voluntary income	-	776	222	998	1,245
Verification Research, Training and provision of Information	-	39,201	11,227	50,428	89,874
Governance	-	729	209	938	2,641
	<u>-</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>-</u>	<u>40,706</u>	<u>11,658</u>	<u>52,364</u>	<u>93,760</u>

8. NET INCOME / (EXPENDITURE)

This is stated after charging

	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned by the charity	3,015	4,021
Auditors' remuneration - as auditors	4,700	4,359
- other services	-	1,762
Pension costs	<u>1,784</u>	<u>1,876</u>

During the year, no Trustees received any remuneration (2006 - £NIL)

During the year, no Trustees received any benefits in kind (2006 - £NIL)

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

9 STAFF COSTS

Staff costs were as follows

	2007 £	2006 £
Wages and salaries	169,879	169,233
Social security costs	18,034	17,425
Other pension costs	1,784	1,876
Internship costs – in kind		14,094
	<u>189,697</u>	<u>202,628</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	4	4
Information officer/Networker	1	1
	<u>7</u>	<u>7</u>

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

10. TANGIBLE FIXED ASSETS

	Furniture and fittings £	Computer equipment £	Office equipment £	Total £
Cost				
At 1 November 2006 and 31 October 2007	<u>4,276</u>	<u>27,958</u>	<u>15,606</u>	<u>47,840</u>
Depreciation				
At 1 November 2006	3,791	18,111	13,880	35,782
Charge for the year	121	2,462	432	3,015
	<u>3,912</u>	<u>20,573</u>	<u>14,312</u>	<u>38,797</u>
Net book value				
At 31 October 2007	<u>364</u>	<u>7,385</u>	<u>1,294</u>	<u>9,043</u>
At 31 October 2006	<u>485</u>	<u>9,847</u>	<u>1,726</u>	<u>12,058</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

11. DEBTORS

	2007	2006
	£	£
Trade debtors	1,045	-
Prepayments and accrued income	1,258	959
Grants Receivable	1,500	35,606
	<hr/>	<hr/>
	<u>3,803</u>	<u>36,565</u>

12 CREDITORS

Amounts falling due within one year

	2007	2006
	£	£
Social security and other taxes	3,389	5,403
Other creditors	7,670	390
Accruals and deferred income	26,581	10,749
	<hr/>	<hr/>
	<u>37,640</u>	<u>16,542</u>

13 STATEMENT OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Unrestricted funds					
General Funds	<u>(34,524)</u>	<u>77,120</u>	<u>(57,668)</u>	<u>-</u>	<u>(15,072)</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007

13. STATEMENT OF FUNDS (continued)

Restricted funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Kyoto Protocol Project	12,128	20,000	(32,128)	-	-
Arms Control and Disarmament Programme	27,594	212,685	(194,298)	9,199	55,180
Information/Networking Programme	37,393	-	(24,853)	(10,099)	2,441
VERTIC Science Fellowship	2,861	1,712	(4,573)	-	-
IT Project	7,334	-	(1,158)	900	7,076
Total	87,310	234,397	(257,010)	-	64,697

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 and 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.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

VERTIC Science Fellowship

Funding received in the financial year from Polden-Puckham Charitable Foundation was used to provide for two Fellowships

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.

SUMMARY OF FUNDS

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
General Funds	(34,524)	77,120	(57,668)	-	(15,072)
Restricted Funds	87,310	234,397	(257,010)	-	64,697
	<u>52,786</u>	<u>311,517</u>	<u>(314,678)</u>	<u>-</u>	<u>49,625</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2007 £	Unrestricted Funds 2007 £	Total Funds 2007 £	Total Funds 2006 £
Tangible fixed assets	6,805	2,238	9,043	12,058
Current assets	84,473	(6,251)	78,222	57,270
Creditors due within one year	(26,581)	(11,059)	(37,640)	(16,542)
	<u>64,697</u>	<u>(15,072)</u>	<u>49,625</u>	<u>52,786</u>

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2007**

15. OPERATING LEASE COMMITMENTS

At 31 October 2007 the company had annual commitments under non-cancellable operating leases as follows

	2007 £	2006 £
Expiry date:		
Between 2 and 5 years	<u><u>38,046</u></u>	<u><u>38,046</u></u>

16. SHARE CAPITAL

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