

Registered number: 03616935
Charity number: 1073051

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

(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2009



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

CONTENTS

	Page
Reference and administrative details of the charity, its trustees and advisers	1
Trustees' report	2 - 9
Independent auditors' report	10
Statement of financial activities	11
Balance sheet	12
Notes to the financial statements	13 - 19

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 OCTOBER 2009**

Trustees

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

Company registered number

03616935

Charity registered number

1073051

Registered office

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

Company Secretary

Andreas Persbo

Chief executive officer

Angela Woodward (resigned July 2009)
Andreas Persbo – acting (appointed July 2009)

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)
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

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 2009. The Trustees confirm that the annual report and financial statements of the company comply with current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in March 2005.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The company is constituted under a Memorandum of Association and is a registered charity number 1073051.

The company is registered as a charitable company limited by guarantee and is governed by its Memorandum and Articles of Association as incorporated on 17 August 1998, and subsequently amended on 2 October 2000.

How the charity is constituted

The company is registered as a charitable company limited by guarantee. A Board of Directors governs the company. The non-executive directors of the charitable company are its trustees for the purpose of charity law. The Board is responsible for overall control of VERTIC's operations and meets regularly to review VERTIC's performance as well as to plan and authorize strategic decisions. The Executive Director is responsible for day-to-day administration.

Methods adopted for the recruitment and appointment of new trustees

In accordance with VERTIC's constitution, the maximum number of Board members is determined by the company in general meeting and the minimum number in office at any given time must be three. At the Annual General Meeting on 25 February 2009 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.

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

OBJECTIVES AND ACTIVITIES (continued)

Aims of the charity

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

The objectives of VERTIC's three year strategic plan (2006-8) as set forth in detail in the Trustees' Report for the year ended 31 October 2006 was carried over into 2009. These objectives may be summarised as follows:

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

Strategies for achieving the stated objectives

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

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

The charity's strategic plan was examined at a strategic review held in September 2009. A new strategic plan may be adopted at the 2010 Annual General Meeting of the Board of Directors.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

PUBLIC BENEFIT STATEMENT

The Trustees confirm that they have complied with the duty in section 4 of the Charities Act 2006 to give due regard to the public benefit guidance published by the Charity Commission in deciding the work undertaken by the Charity

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

- Our work on the effective and efficient verification and implementation of international arms control agreements advances the resolution of conflicts as stipulated in paragraph 2 2 (h) of the 2006 Charities Act,
- Our work on promoting measurable, reportable and verifiable commitments on the environment, in particular illegal logging, falls within the advancement of environmental protection as stipulated in paragraph 2 2 (i) of the 2006 Charities Act

VERTIC has made a significant contribution to the nuclear disarmament debate through its work on the UK-Norway process on nuclear warhead dismantlement verification. The UK-Norway process is a collaborative effort involving the Atomic Weapons Establishment, VERTIC, and several Norwegian research centres. It examines how a nuclear weapon state can dismantle its nuclear weapons in a transparent and accountable manner. Effective verification is often seen as a problem in nuclear arms reductions. Lower arms levels may lower the risk that a nuclear weapon will be used or accidentally detonated. Such lower risks are to the benefit of the public.

VERTIC's National Implementation Measures programme is helping States to adopt legislation to prevent biological weapons use, as well as rules ensuring effective control over dangerous pathogens. By helping all states to adopt a regulatory framework, in compliance with relevant international law, we help reduce the public's risk of being exposed to a biological terrorist attack and associated sickness or death. Robust national implementing measures help States to safeguard public health and safety.

VERTIC's environment programme's work in support of the Reducing Emissions from Deforestation and Degradation scheme aims to reduce the impact of illegal logging. The public benefits from the conservation of forests that help to absorb greenhouse gases. They also benefit from the protection of larger swathes of natural environments. The people who depend on these forests for their livelihood are direct beneficiaries.

REVIEW OF ACTIVITIES IN THE YEAR

At present, VERTIC is organizing its activities into three programmes: arms control and disarmament, environment and peace agreements. The arms control and disarmament programme is the charity's largest, employing four and a half full time staff. The environment programme employs one staff member. The peace agreements programme is suspended. All programmes are supported by one full time administrator.

The arms control and disarmament programme conducts activities in two major areas: nuclear arms control and disarmament and national implementation measures. The latter area occupies three full time staff members. One and a half staff member implements the nuclear arms control and disarmament programme. The programme is supported by two full time interns, and two part time volunteers.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
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**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009**

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Research

The nuclear arms control and disarmament programme mostly focussed on research throughout the year. Its main activity was research and evaluation support for the so-called UK-Norway Initiative on verified nuclear warhead dismantlement. This included active participation in planning activities for two major simulated on-site inspection exercises held in Norway (in December 2008 and June 2009). It also included the writing and internal distribution of three major reports – one on verification concepts, and two evaluation reports of the on-site inspection exercises. The programme continued to focus on the evolution of nuclear safeguards, more specifically in the context of the proposed Fissile Material Cut-Off Treaty. It also participated in a number of activities in support of its project on the establishment of confidence-building measures on the Indian subcontinent. In the latter half of 2009, the programme started to implement a project on research materials on the 1996 Comprehensive Nuclear Test Ban Treaty. The first products of this project, written by former technical negotiators of the treaty, is scheduled to appear sometime in December 2009.

Influence and change

All programmes have contributed to this objective. As in previous years, VERTIC's involvement in the UK-Norway Initiative has helped to significantly raise the profile on nuclear disarmament issues. During the year, VERTIC staff has briefed the UK Foreign Secretary twice on matters relating to disarmament and non-proliferation. In addition, VERTIC staff has participated in a briefing session for the UK Prime Minister. VERTIC continues to have excellent relations with most relevant branches with the UK Civil Service, in particular the Foreign & Commonwealth Office and the Ministry of Defence. Our staff members often contribute to civil service thinking, both in its capacity as a government contractor, but also in more informal settings.

In addition, VERTIC has two staff members working overseas – in New Zealand and in the Netherlands. This has significantly enhanced our visibility and ability to influence main-land European as well as Pacific policies.

VERTIC's national implementation project continues to give advice to foreign governments on implementation of international treaties governing weapons of mass destruction. During 2009, we have delivered technical assistance or advice to governments in Africa (January), Asia (February and March), the Middle East (March and October), the Pacific (April and June), South-East Asia (April), Central America (September) and South America (November).

In addition, VERTIC has started to host a number of open meetings at its London headquarters. Of note is the visit of the Executive Secretary of the Comprehensive Nuclear Test Ban Treaty Organization in June 2009.

Public profile, information dissemination and awareness raising

In 2009, VERTIC significantly increased its publication activities. A range of reports were produced during the year. In addition, VERTIC re-launched its newsletter, *Trust & Verify*, in June 2009. Two issues have been produced since then, and the third issue of 2009 is scheduled to appear in December.

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(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

REVIEW OF ACTIVITIES IN THE YEAR (continued)

Public profile, information dissemination and awareness raising (continued)

Awareness raising activities continued in all programmes. VERTIC staff presented the result of its work to a range of conferences and meetings, including the 2008 preparatory committee of the 2010 Non-Proliferation Treaty Review Conference, two sessions of the Conference on Disarmament, and the Meeting of State Parties to the Biological Weapons Convention. In addition, VERTIC staff members were invited to present at several meetings, including venues such as the Joint Research Centre in Ispra, Italy, the Centre for Nonproliferation Studies, Monterey, California, US, and the King Faisal Specialist Hospital and Research Centre, Riyadh, Saudi Arabia.

Capacity building and training

During the year, VERTIC continued to improve on its technical assistance website www.vertic.org/nim. In addition, the Centre developed a significant number of training packages and implementation guidelines. The centre is continuously adding resources to its website as the national implementation project progresses.

Organisational funding

All restricted funds are balanced, and implementation is progressing on schedule in most projects. However, despite best efforts, the charity could not significantly increase its unrestricted reserves.

Management, administration and governance

VERTIC is being run cost-effectively. However, our ratio of fundraising and administration costs to total expenditure (FACE) presently stands at about 15 per cent. This level is slightly lower than comparable sized organizations, and could be read as VERTIC not making an adequate investment in fundraising to safeguard its future. Fortunately, this is not the case. The organization's grant portfolio is diverse and the salary to product ratio in most grants is adequate to recover fundraising costs. However, VERTIC's unrestricted reserves remain low. Forward projections indicate that the situation might improve somewhat in FY09/10.

VERTIC held its tri-annual strategic review in late 2009. This review recommended a policy of 'sustainable growth' and 'consolidation' in the upcoming three years. Moreover, steps were taken to improve the charity's governance structures – such as for instance giving the VERTIC Board of Directors their own charity e-mail addresses. The Chief Executive Officer engages with the organization's Board of Directors and volunteers through a monthly newsletter, *the Director's Review*.

FINANCIAL REVIEW

The organisation cleared the restricted fund deficit which was brought forward from the 2006-2008 financial year accounts by securing unrestricted funds for certain services performed.

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

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

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

FINANCIAL REVIEW (continued)

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 £14,834 current costs) is sufficient. As at 31 October 2009, free reserves (excluding fixed assets) amount to £14,440. The Trustees are looking to build up free reserves.

VERTIC's income was £469,342 in the year ended 31 October 2009 compared to £388,928 for the year ended 31 October 2008. The total expenditure was £417,699 for the year ended 31 October 2009 compared to £296,582 for the year ended 31 October 2008. The fund balance carried forward at 31 October 2009 was £18,028 on unrestricted general reserves. The restricted reserves balance on ongoing projects was £175,586 at 31 October 2009. 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 notes 13 to the accounts on page 17. The trustees are confident that adequate resources are available to enable completion of these projects.

PLANS FOR THE FUTURE

The environment programme has had mixed fundraising successes in the past year and is still some way of being fully self-sustained. However, the programme forms an integral part of the charity's activities. Its preservation therefore remains a top priority for the coming year. It is presently conducting promising work in forestry governance and in work in support of the REDD (Reducing Emissions from Deforestation and Forest Degradation in Developing Countries) scheme. It is presently involved in a biannual project on deforestation indicators together with Chatham House, and possesses unique expertise in measurable, reportable and verifiable carbon emissions reductions for the forestry sector.

In 2010, the charity will aim to consolidate its expertise in this area by focussing on forestry, and expanded forestry governance (such as legislation, law enforcement and land tenure issues). This will further the charity's role as an implementation assistance provider for interested states. In doing so, VERTIC intends to deepen relations with other service providers in the area - the Foundation for International Environmental Law and Development in particular - with a view of submitting joint bids. The fundraising target for 2010 is modest, simple cost recovery, with a view of expanding our work in the area to two full time staff equivalents in 2011.

The national implementation measures project continues to grow into maturity. The goal for 2010 is to consolidate the charity's activities in providing support in the implementation of biological weapons related international law. The charity will also aim to carry out more activities in relation to chemical weapons, in close consultation with the Organisation for the Prohibition of Chemical Weapons, as well as certain implementation activities in the nuclear area (most significantly on norms prohibiting the illicit trafficking of nuclear materials), in close consultation with the International Atomic Energy Agency and the UN Office on Drugs and Crime. This project shows good prospects for continuation post 2011. We aim to enhance our capabilities by expanding this project from three full time staff equivalents to four in 2010.

THE VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

PLANS FOR THE FUTURE (continued)

Our work on chemical and biological arms control and disarmament suffers from a funding shortage. Our traditional funders have withdrawn from this area. However, the issue area shows signs of picking up increased attention in 2010, since there is a renewed interest in multilateral verification. For instance, new so-called Track-II processes are increasingly calling on VERTIC participation. Our goals for 2010 are modest. We intend to complete a fundraising strategy in this area, and leverage our standing acquired through the national implementation measures project, to work up a funding stream by the end of the coming year. We aim to maintain a quarter time staff equivalent on this issue area.

Our work on the nuclear arms control and disarmament programme in 2010 will focus on two issue areas: verified nuclear disarmament and supporting the early entry into force of the 1996 Comprehensive Nuclear Test Ban Treaty by communicating the readiness of its verification regime. We will aim to consolidate the programme by maintaining its present staffing level of one and a half full time staff equivalents, with a view of growing the programme to about two and a half full time staff equivalent by the end of 2010. New partners will be sought with whom to join efforts, especially in Geneva, Switzerland, and in Washington, DC, USA.

All programmes will benefit from an enhanced public outreach programme. We will aim to continue publication of *Trust & Verify* on schedule throughout the coming year. Also, we are working to establish a successor publication to the *Verification Yearbook* in 2011. An interested publisher has already been identified. If negotiations are successful, the charity could aim to work up a copy-flow by the end of this year. The goal is to have the journal completely self-sustained. Therefore, this work is carried out by an external consultant.

TRUSTEES' RESPONSIBILITIES

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

Company law 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 charitable company [and the group] and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to

- Select suitable accounting policies and then apply them consistently,
- Observe the methods and principles in the Charities SORP,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time of the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as we are aware

- There is no relevant audit information of which the charitable company's auditor is unaware, and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2009

AUDITORS

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

APPROVAL

The report of the council members has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006

This report was approved by the Trustees on 22/02/2010 and signed on its behalf, by



Sir W G H Beach - Co-Chair



Dr O J Greene - Co-Chair

**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 2009 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the requirements of the Financial Reporting Standard for Smaller Entities (effective April 2008).

This report is made solely to the charitable company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The Trustees', who are also the directors of the company for the purposes of company law, responsibilities 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) and for being satisfied that the financial statements give a true and fair view 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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with those financial statements. In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' 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 judgements 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.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 October 2009, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Trustees' Report is consistent with the financial statements.



Murtaza Jessa (Senior Statutory Auditor Date)
for and on behalf of Haysmacintyre, Statutory Auditor

Fairfax House
15 Fulwood Place
London
WC1V 6AY

[Date] 22/02/2010.

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

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 OCTOBER 2009**

	Notes	Restricted Funds £	Unrestricted Funds £	Total funds 2009 £	Total funds 2008 £
INCOMING RESOURCES					
<i>Incoming resources from generated funds:</i>					
Voluntary income	2	-	30,623	30,623	40,000
Investment income		-	928	928	3,247
<i>Incoming resources from charitable activities</i>	3	410,302	27,489	437,791	345,681
TOTAL INCOMING RESOURCES		410,302	59,040	469,342	388,928
RESOURCES EXPENDED					
<i>Costs of generating funds:</i>					
Generating voluntary income	5	-	3,187	3,187	4,382
<i>Charitable activities</i>					
Research, Training & Information		358,361	51,473	409,834	287,823
<i>Governance costs</i>	6	-	4,678	4,678	4,377
TOTAL RESOURCES EXPENDED		358,361	59,338	417,699	296,582
MOVEMENT IN TOTAL FUNDS FOR THE YEAR – NET INCOME/ (EXPENDITURE) FOR THE YEAR					
		51,941	(298)	51,643	92,346
<i>Total funds at 1 November 2008</i>		123,645	18,326	141,971	49,625
TOTAL FUNDS AT 31 OCTOBER 2009		175,586	18,028	193,614	141,971

There were no recognised gains or loss for 2009 and 2008 other than those included in the Statement of Financial Activities

The notes on pages 13 to 19 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 2009
Registered N° 03616935

	Notes	£	2009	£	£	2008	£
FIXED ASSETS							
Tangible fixed assets	10			9,784			11,335
CURRENT ASSETS							
Debtors	11	34,420			26,344		
Cash at bank		186,765			134,439		
		<u>221,185</u>			<u>160,783</u>		
CREDITORS: amounts falling due within one year	12	<u>(37,355)</u>			<u>(30,147)</u>		
NET CURRENT ASSETS				183,830			130,636
TOTAL ASSETS LESS CURRENT LIABILITIES				193,614			141,971
CHARITY FUNDS							
Restricted Funds	13			175,586			123,645
Unrestricted funds	13			18,028			18,326
				<u>193,614</u>			<u>141,971</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the Trustees on 22/02/2010 and signed on their behalf, by

WGH Beach

Sir W G H Beach - Co-Chair

Dr O J Greene

Dr O J Greene - Co-Chair

The notes on pages 13 to 19 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2009

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" issued in March 2005 and, applicable accounting standards and the Companies Act 2006.

1.2 Company status

The charity is a company limited by guarantee. The members of the company are the trustees named on page 1. In the event of the company being wound up, each member is liable to contribute a sum not exceeding £1.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the company for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy. Income from donations and grants is included in incoming resources when these are receivable.

Donated services are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Overheads and other salaries are allocated between the expense headings on the basis of time spent.

Fund raising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Support costs are those costs incurred directly in support of expenditure on the objects of the Charity and are allocated on the proportion of direct costs spent on each activity.

Governance costs are those costs incurred in connection with enabling the charity to comply with external regulation, constitutional and statutory requirements and in providing support to the Trustees in the discharge of their statutory duties.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 OCTOBER 2009

1. ACCOUNTING POLICIES (continued)

1.6 Tangible fixed assets and depreciation

All assets costing more than £200 00 are capitalised

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

Furniture and Fittings	-	25%	reducing balance
Office Equipment	-	25%	reducing balance
Computer Equipment	-	25%	reducing balance

1.7 Operating leases

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

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

1.8 Foreign currencies

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

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

Exchange gains and losses are recognised in the SOFA account

1.9 Pensions

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

1.10 Value Added Tax

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

1.11 Tax status

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 OCTOBER 2009

2	VOLUNTARY INCOME AND CORE FUNDING	Restricted Funds	Unrestricted Funds	Total Funds	Total Funds
		2009	2009	2009	2008
		£	£	£	£
	Joseph Rowntree Foundation Trust	-	30,000	30,000	40,000
	Other income	-	623	623	-
			30,623	30,623	40,000
3	INCOMING RESOURCES FROM CHARITABLE ACTIVITIES (Research, Training & Information)	Restricted Funds	Unrestricted Funds	Total Funds	Total Funds
		2009	2009	2009	2008
		£	£	£	£
	NRPA	-	10,000	10,000	22,292
	Ploughshares fund	-	-	-	16,408
	Overseas Development Institute	-	4,000	4,000	-
	Saferworld	-	-	-	2,000
	Chatham House	-	13,475	13,475	14,400
	The Joseph Rowntree Charitable Trust	-	-	-	5,500
	FCO – Strategic Programme Fund	206,180	-	206,180	152,629
	US State Dept – Biosecurity Engagement Programme	66,935	-	66,935	-
	Ford Foundation	51,557	-	51,557	36,911
	CTBT Funders	-	-	-	15,840
	Norway MFA NWDV	14,056	-	14,056	-
	Norway MFA Verification Regime	32,797	-	32,797	-
	Norway MFA Fissile	-	-	-	49,000
	Ministry of Defence UK	-	1	1	15,431
	Netherlands (NIM)	38,777	-	38,777	15,270
	Publication, year books and subscriptions	-	13	13	-
		410,302	27,489	437,791	345,681
4	RESOURCES EXPENDED	Direct Costs	Support Costs	2009	2008
		£	£	£	£
	Cost of generating voluntary income	3,000	187	3,187	4,382
	Verification research, training & provision of information	385,834	23,999	409,834	287,823
	Governance	4,405	274	4,678	4,377
		393,239	24,460	417,699	296,582

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 OCTOBER 2009

5. COSTS OF GENERATING VOLUNTARY INCOME	Restricted Funds	Unrestricted Funds	Total Funds	Total Funds
	2009	2009	2009	2008
	£	£	£	£
Staff costs	-	3,000	3,000	4,000
Support costs	-	187	187	382
	<u>-</u>	<u>3,187</u>	<u>3,187</u>	<u>4,382</u>
6 GOVERNANCE			Total Funds	Total Funds
			2009	2008
			£	£
Audit fees			4,405	3,995
Support costs			274	382
			<u>4,678</u>	<u>4,377</u>
7. SUPPORT COSTS COMPRISE OF:	Premises Costs	Office Costs	2009	2008
	£	£	£	£
Costs of generating voluntary income	84	103	187	382
Verification research, training and provision of information	10,821	13,178	23,999	25,090
Governance	124	150	274	382
	<u>11,029</u>	<u>13,431</u>	<u>24,460</u>	<u>25,854</u>
8 NET INCOME/(EXPENDITURE)			2009	2008
			£	£
This is stated after charging				
Depreciation of tangible fixed assets				
- owned by the charity			3,262	3,779
Auditors' remuneration - as auditors			4,405	3,995
- other services			788	746
Pension costs			1,548	1,372
			<u>1,548</u>	<u>1,372</u>

During the year, no Trustees received any remuneration (2008 - £NIL)

During the year, no Trustees received any benefits in kind (2008 - £NIL)

During the year, Trustees claimed travel expenses of £284 (2008 £363)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 OCTOBER 2009

9. STAFF COSTS	2009	2008
	£	£
Staff costs were as follows		
Wages and salaries	209,678	142,057
Social security costs	22,791	12,707
Other pension costs	1,548	1,372
Salary paid to project consultant	32,730	18,996
	<u>266,747</u>	<u>175,132</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	3
	<u>6</u>	<u>5</u>
Project consultant	<u>1</u>	<u>1</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 31 October 2008	4,276	34,029	15,606	53,911
Additions	-	1,711	-	1,711
Disposals	-	-	-	-
At 31 October 2009	<u>4,276</u>	<u>35,740</u>	<u>15,606</u>	<u>55,622</u>
Depreciation				
At 31 October 2008	4,003	23,937	14,636	42,576
Charge for the year	68	2,951	243	3,262
At 31 October 2009	<u>4,071</u>	<u>26,888</u>	<u>14,879</u>	<u>45,838</u>
Net Book Value				
At 31 October 2009	<u>205</u>	<u>8,852</u>	<u>727</u>	<u>9,784</u>
At 31 October 2008	<u>273</u>	<u>10,092</u>	<u>970</u>	<u>11,335</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 OCTOBER 2009

11. DEBTORS	2009	2008		
	£	£		
Prepayments	4,388	1,744		
Accrued income	30,032	24,600		
	<u>34,420</u>	<u>26,344</u>		
Included in accrued income above is £8,750 (2008 £4,600) due from Chatham House Mr D Brack, a trustee of the charity is employed by Chatham house				
12. CREDITORS: amounts falling due within one year	2009	2008		
	£	£		
Social security and other taxes	6,044	4,213		
Accruals	31,311	25,934		
	<u>37,355</u>	<u>30,147</u>		
13. STATEMENT OF FUNDS	Brought Forward	Incoming Resources	Resources Expended	Carried forward
		£	£	£
Unrestricted funds				
General funds	18,326	59,040	(59,338)	18,028
	<u>18,326</u>	<u>59,040</u>	<u>(59,338)</u>	<u>18,028</u>
Restricted funds				
Arms Control and Disarmament Programme	118,380	410,302	(356,446)	172,236
Information/Networking Programme	979	-	(245)	734
IT Project	4,286	-	(1,670)	2,616
	<u>123,645</u>	<u>410,302</u>	<u>(358,361)</u>	<u>175,586</u>
Total	123,645	410,302	(358,361)	175,586

Each of the projects is described in more detail below

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 OCTOBER 2009

13. STATEMENT OF FUNDS (continued)

Information/Networking Programme

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

IT Project

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

SUMMARY OF FUNDS	Brought Forward	Incoming Resources	Resources Expended	Carried forward
		£	£	£
General funds	18,326	59,040	(59,338)	18,028
Restricted funds	123,645	410,302	(358,361)	175,586
	<u>141,971</u>	<u>469,342</u>	<u>(417,699)</u>	<u>193,614</u>

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds	Unrestricted Funds	Total Funds	Total funds
	2009	2009	2009	2008
	£	£	£	£
Tangible fixed assets	6,196	3,588	9,784	11,335
Current assets	199,173	22,012	221,185	160,783
Creditors due within one year	(29,783)	(7,572)	(37,355)	(30,147)
	<u>175,586</u>	<u>175,586</u>	<u>193,614</u>	<u>141,971</u>

15. OPERATING LEASE COMMITMENTS

At 31 October 2009 the company had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£	£
Expiry date:		
Between 2 and 5 years	<u>29,535</u>	<u>30,622</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.

17. RELATED PARTY TRANSACTIONS

During the year, the charity received £13,475 (2008 £14,400) from Chatham House. Mr D Brack, a trustee of the charity is employed by Chatham house.