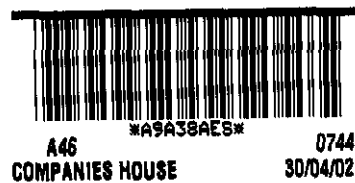


**VERIFICATION RESEARCH, TRAINING
AND INFORMATION CENTRE (VERTIC)**
(A Company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2001



Company No: 3616935
Charity No: 1073051

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

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

LEGAL AND ADMINISTRATIVE INFORMATION

Legal status	The organisation is a charitable company limited by guarantee and as such is governed by its Memorandum and Articles of Association.
Directors and Trustees	Sir W G H Beach Mr L Challenor-Chadwick Dr O J Greene Ms S M Willett Professor B Jasani Ms J Hyvarinen
Secretary	Dr Trevor Findlay
Company Number	3616935 (England and Wales)
Charity Number	1073051
Registered Office	Baird House 15-17 St Cross Street London EC1N 8UW
Auditors	Jessa & Co Chartered Accountants and Registered Auditors Buckingham House East The Broadway Stanmore Middlesex HA7 4EB

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

REPORT OF TRUSTEES FOR THE YEAR ENDED 31 OCTOBER 2001

The Directors present their report and the financial statements for the period ended 31 October 2001.

Legal Structure

The Verification Research, Training and Information Centre is a company, registered in England and Wales number 3616935, limited by guarantee. It is also a registered charity, number 1073051. The company is governed by Memorandum and Articles of Association.

The company does not have a share capital and is limited by the guarantee of the members to a maximum of £1 each.

Principal Aims

The company is established:

1. To conduct research and obtain information on verification, monitoring and implementation of *international and intra-national agreements, arrangements and related issues*; and
2. To publish such information both indirectly through the media channels and directly through its own publications.

Directors

The company is governed by a Board of Directors. The following were directors at the end of the year and served on the Board through the year under review:

Sir W G H Beach
Mr L Challenor-Chadwick
Dr O J Greene
Ms S M Willett
Professor B Jasani
Ms J Hyvarinen

Review of Development, Activities and Achievements

VERTIC had another successful year, in which several substantive projects were concluded and new ventures begun. A new publication series was launched and the outreach programme to international verification organisations and governments was expanded, particularly through wide distribution of the *Verification Yearbook 2000*. The Yearbook was also distributed free on VERTIC's website, as recommended by a study commissioned from the Cranfield Institute. VERTIC made a substantial contribution in 2001 to efforts to ban landmines by publishing a Guide to Reporting under Article 7 of the Landmine Convention, which also included VERTIC's first CD-ROM. VERTIC also contributed to the annual *Landmine Monitor* report for the third year running. A second edition of the new-look Verification Yearbook was published. Although the 2001 edition is slimmer it contains more chapters by VERTIC staff and more collaborative efforts. A new publication series, *Verification Matters*, replaced the former *Research Report* series, beginning with two numbers on chemical and biological weapons issues. In addition, 5 issues of *Trust & Verify* were published, along with 5 VERTIC *Briefing Papers*. The On-Site Inspection Project was completed, with a successful workshop in London in March. The final report on the project will be completed in January 2002. Intensive work was undertaken during the year on producing a *Verification Handbook*, to be published in cooperation with the UN Institute for Disarmament Research in 2001, part of a project funded by the US State Department. A panel meeting was held in London in November with Middle East specialists to help refine the draft text.

There were several staff changes during the year. A new Administrator, an Information Officer/Networker, an Arms Control and Disarmament Research Assistant (new position) and Legal Researcher (new position) were recruited. A new Environment Researcher was also recruited, representing VERTIC actively at key conferences in Bonn and Marrakech which negotiated final details of the Kyoto Protocol. VERTIC was represented at several international meetings during the period, including those relating to climate change, biological weapons, landmines and nuclear safeguards. VERTIC also helped organise 'side events' at some of these meetings. The terrorist attacks of 11 September on the United States caused some VERTIC activities to be postponed, notably a verification panel in New York, cosponsored by Australia, Canada and Sweden, although this event was eventually held in November 2001.

Although VERTIC obtained a new multi-year core grant from the Joseph Rowntree Charitable Trust, another of VERTIC's long-term substantial funders, the W. Alton Jones Foundation, was wound up, while a small funder, the John Merck Fund, moved out of the arms control business. This will put pressure on fund-raising activities in 2002.

Dependence on volunteers

VERTIC's only reliance on volunteers is in the form of our internship programme, which was somewhat curtailed during the year due to shortage of space. One of the interns was recruited on a full-time basis as a Research Assistant.

Financial Position

As set out in note 1 to the accounts, the company is dependent upon the receipt of grants for the continuation of its work. Most of these grants are subject to annual review and are not guaranteed for future periods. The directors have considered the position with regard to the grants that are expected to be received during the current year, together with the associated cash flow and consider the financial position of the company at 31 October 2001 to be satisfactory.

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

Reserves policy

In accordance with guidelines issued by the Charity Commissioners, the Trustees have adopted a policy regarding reserves, which should ensure that:

- a) Excluding those funds represented by Fixed Assets, general reserves do not exceed more than 6 months anticipated expenditure;
- b) There are adequate funds to ensure that the charity is able to meet all current and known future liabilities.

The level of reserves is considered and reviewed at regular intervals by the Finance Committee.

Funds available

The present level of funding is adequate to support the continuation of the projects now in operation for the short term, and the trustees consider the financial position of the charity to be satisfactory.

Directors and trustees

The directors of the charitable company are its trustees for the purpose of charity law. There are no other trustees. The trustees who served throughout the period and at the date of this report are set out on page 1.

The Finance Committee has power to appoint trustees, as it considers fit to do so.

Trustees' responsibilities in relation to the financial statements

The trustees are required by law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of its results for that period. In preparing these financial statements the trustees are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether the policies adopted are in accordance with the Companies Act 1985 and with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- (d) Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

Auditors

The auditors, Jessa & co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Approval

This report was approved by the board of directors and trustees on 7 January 2002 and signed on its behalf



.....
Dr Trevor Findlay
Company Secretary

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

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

We have audited the financial statements on pages 7 to 15, which have been prepared under the historical cost convention, and the accounting policies set out on pages 9 and 10.

Respective responsibilities of the trustees and auditors

As described on pages 4 and 5 the charity's trustees, who are directors of Verification Research, Training and Information Centre (VERTIC) for the purposes of company law, are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 state of affairs as at 31 October 2001 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Jessa & Co

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

7 January 2002

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 OCTOBER 2001

	Notes	2001 Unrestricted Funds £	2001 Restricted Funds £	2001 Total Funds £	2000 Total Funds £
Incoming Resources					
Grants and Donations	2	35,070	221,533	256,603	272,654
Interest Received		12,289	-	12,289	6,583
Other Income		3,186	-	3,186	2,113
Total Incoming Resources		50,545	221,533	272,078	281,350
Cost of Generating funds					
Fund-raising	3	2,323	-	2,323	-
Net incoming resources available for charitable application		48,222	221,533	269,755	281,350
Charitable Expenditure					
Costs of activities in pursuit of charitable activities	4	50,888	309,984	360,872	231,597
Management & administration	5	8,279	-	8,279	17,933
Total charitable expenditure		59,167	309,984	369,151	249,530
Total resources expended		61,490	309,984	371,474	249,530
Net (Outgoing)/Incoming resources before transfers		(10,945)	(88,451)	(99,396)	31,820
Transfer between funds		(8,305)	8,305	-	-
Net movements in funds in the year	6	(19,250)	(80,146)	(99,396)	31,820
Fund balances brought forward at 1 November 2000		55,877	149,853	205,730	173,910
Fund balances carried forward at 31 October 2001	13	£36,627	£69,707	£106,334	£205,730

There were no recognised gains or losses for 2001 or 2000 other than those included in the Statement of Financial Activities.

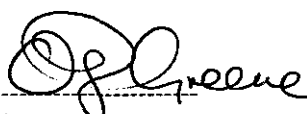
The notes on pages 9 to 15 form part of these accounts.

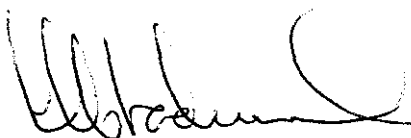
VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

BALANCE SHEET AS AT 31 OCTOBER 2001

		31 October 2001		31 October 2000	
	Notes	£	£	£	£
Fixed Assets					
Tangible Assets	9		15,702		18,502
Current Assets					
Debtors	10	31,115		16,554	
Cash at bank and in hand		<u>249,420</u>		<u>188,094</u>	
		280,535		204,648	
Creditors: amounts falling due within one year	11	<u>(189,903)</u>		(17,420)	
Net current assets			90,632		187,228
Total assets less current liabilities			<u>106,334</u>		<u>205,730</u>
Funds					
Restricted funds	13		69,707		149,853
Unrestricted funds	13		<u>36,627</u>		<u>55,877</u>
			<u>106,334</u>		<u>205,730</u>

Approved by the board of directors and trustees on 7 January 2002 and signed on its behalf


Director


Director

The notes on pages 9 to 15 form part of these accounts

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001

1. Accounting policies

1.1 Basis of preparation of accounts

The accounts are prepared under the historical cost convention and include the results of the charity's operations which are described in the Trustees' Report and all of which are continuing.

The accounts have been prepared in compliance with the Statement of Recommended Practice on Charity Accounts Issued in October 2000 (SORP 2000).

The charity has taken advantage of the exemption in Financial Reporting Standards No.1 from the requirement to produce a cashflow statement.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

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

Office furniture and equipment - 25% reducing balance.

1.3 Value added tax

The charity is 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.

1.4 Income

Donations and gifts are accounted for as received by the charity. Income from grants is accounted for on receivable basis.

1.5 Resources Expended

Overheads common to all activities have been apportioned in the proportion of salary costs, which have been identified on the basis of time spent by members of staff.

1.6 Fundraising costs

Fundraising expenditure comprises costs incurred in appealing to people and organisations to contribute financially to the charity's work.

Expenditure on management and administration of the charity

Administration expenditure includes all expenditure not directly related to the charitable activity or fundraising ventures.

1.7 Pensions

The pension scheme of the company is funded by contributions partly from the employees and partly from the company at rates determined by independent actuaries in the light of regular valuations. Such contributions are held in administered funds completely independently of the company's finances. The contributions made by the company are accounted for on an accruals basis.

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001

1.8 Tax Status

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

1.9 Fund Accounting

The majority of the company's income is from grants, which are subject to annual review and are not guaranteed for future periods. Furthermore certain grant making bodies reserve the right to claw-back grants which have been under spent and to withdraw the unpaid portion of any grant by giving an agreed period of notice. The directors do not believe that there are any cases where this is likely and therefore have not made any provision in these accounts for any costs attributable to terminating contractual arrangements in the event of a significant withdrawal of funds.

Restricted funds represent amounts received for specific purposes, which have not yet been fully spent on those purposes at the year-end.

Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of the company.

1.10 Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling on the balance sheet date. Transactions expressed in foreign currencies are translated into sterling at the average rate of exchange for the period. Any profit or loss arising from exchange differences is dealt with in the statement of financial activities.

2. Grants and Donations

	<u>2001</u> £	<u>2000</u> £
The Charity is grateful to the following funders for their grants:		
Ford Foundation:		
Received in the year	262,266	
Less: Deferred grant	<u>(174,850)</u>	
	87,416	-
John D. and Catherine T. MacArthur Foundation	32,707	61,112
Rockefeller Family Philanthropic Offices	-	9,757
W. Alton Jones Foundation	33,224	106,331
The Joseph Rowntree Charitable Trust	35,000	42,500
The John Merck Fund	-	26,102
Ploughshares Fund	-	18,720
Landmine Monitor	3,312	3,132
UK Government	-	5,000
Belgian Government	23,697	-
United Nations Institute for Disarmament Research	40,567	-
Others	680	-
	<u>256,603</u>	<u>272,654</u>

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001

	<u>2001</u> £	<u>2000</u> £
3. Fundraising costs		
Other expenses	<u>2,323</u>	<u>-</u>
	<u>2001</u> £	<u>2000</u> £
4. Costs of activities in pursuit of charitable activities		
Research & education expenses	42,749	28,308
Staff costs	175,071	114,698
Office costs	20,706	28,691
Financial & legal costs	2,625	-
Printing costs	33,186	10,381
Post & stationery	17,145	10,006
Communication expenses	8,571	6,549
Travelling expenses	45,752	26,977
Advertising	3,031	2,129
Hire of equipment	517	56
Other direct charitable expenses	<u>11,519</u>	<u>3,802</u>
	<u>360,872</u>	<u>231,597</u>
	<u>2001</u> £	<u>2000</u> £
5. Management & administration expenditure		
Staff costs	-	8,772
Financial and legal costs	3,294	3,845
Bank charges	96	562
Depreciation	4,564	4,078
Other administration costs	<u>325</u>	<u>676</u>
	<u>8,279</u>	<u>17,933</u>
6. Net movement in funds for the year		
The net movement in funds for the year is stated after charging:		
	<u>2001</u> £	<u>2000</u> £
Depreciation	4,564	4,078
Auditors' remuneration - as auditors	2,600	1,900
- other services	420	420

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2001

	<u>2001</u> £	<u>2000</u> £
7. Staff costs		
The staff costs were:		
Wages and salaries	158,224	112,657
Social security costs	15,267	11,253
Pension costs	1,676	-
	<u>175,167</u>	<u>123,910</u>

The average number of staff employed by the charity during the period was 7 (2000: 5)

No employee earned more than £50,000 per annum.

	<u>2001</u> £	<u>2000</u> £
8. Trustees' remuneration and reimbursed expenses		
The Trustees received no remuneration for their services.		
During the period three Trustees were reimbursed for travel and other general expenses	<u>1,002</u>	<u>914</u>
9. Tangible fixed assets		Office equipment
		£
Cost		
At 1 November 2000		29,809
Additions in the year		<u>2,434</u>
At 31 October 2001		32,243
Depreciation		
At 1 November 2000		11,307
Charge for the year		<u>5,234</u>
At 31 October 2001		16,541
Net Book Value		
At 31 October 2001		15,702
At 31 October 2000		<u>18,502</u>

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001

10. Debtors

	31 October 2001 £	31 October 2000 £
Due within one year:		
Trade debtors	457	718
Prepayments	4,787	3,302
Accrued income	20,300	5,000
VAT	1,817	3,780
Other debtors	<u>3,754</u>	<u>3,754</u>
	<u>31,115</u>	<u>16,554</u>

11. Creditors: amounts falling due within one year

	31 October 2001 £	31 October 2000 £
Creditors	5,608	8,715
Bank overdraft	6,268	6,924
Deferred Income	174,850	-
Accruals	<u>3,177</u>	<u>1,781</u>
	<u>189,903</u>	<u>17,420</u>

12. Analysis of fund balances between net assets

	Unrestricted £	Restricted £	Total £
Tangible fixed assets	4,507	11,195	15,702
Net current assets	65,200	25,432	90,632
	<u>69,707</u>	<u>36,627</u>	<u>106,334</u>

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001

13. Summary of funds and reserves

a) Restricted funds:

	At 01.11.00	Incoming Resources	Outgoing Resources	Transfers from unrestricted funds	At 31.10.2001
	£	£	£	£	£
Arms Control & Disarmament Project	-	127,983	(67,558)	-	60,425
Environment - Verification of the Kyoto Protocol Project	5,722	33,224	(37,311)	-	1,635
New Technologies, Techniques & Synergies Project	64,439	-	(64,439)	-	-
Developing an International Verification Community Project	50,248	32,707	(82,955)	-	-
CTBT Implementation Project	29,444	610	(22,407)	-	7,647
Landmine Project	-	27,009	(35,314)	8,305	-
	<u>149,853</u>	<u>221,533</u>	<u>(309,984)</u>	<u>8,305</u>	<u>69,707</u>

b) Total funds

	At 01.11.00	Incoming Resources	Outgoing Resources	Transfers Between Funds	At 31.10.2001
	£	£	£	£	£
Restricted funds	149,853	221,533	(309,984)	8,305	69,707
Unrestricted funds	55,877	50,545	(61,490)	(8,305)	36,627
	<u>205,730</u>	<u>272,078</u>	<u>(371,474)</u>	<u>-</u>	<u>106,334</u>

Grants, which are received for specific projects, are accounted for as restricted funds. Where grants are overspent a transfer is made from unrestricted funds. The balances on restricted funds as at 31 October 2001 arise from grants received for specific projects on which some expenditure is still to be incurred in subsequent periods.

14. Unrestricted funds

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

VERIFICATION RESEARCH, TRAINING AND INFORMATION CENTRE (VERTIC)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001

15. Share capital

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

16. Financial commitment

As at 31 October 2001 the charity had annual commitments under operating lease on buildings as follows:-

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Expiry date:		
Between two and five years	<u>16,500</u>	<u>21,000</u>