

REGISTERED COMPANY NUMBER: 03858051 (England and Wales)
REGISTERED CHARITY NUMBER: 1077961

**Report of the Trustees and
Financial Statements For The Year Ended 31st August 2012
for**

**Watch Tower Bible and Tract Society of
Britain**

**Watch Tower Bible and Tract Society of
Britain**

**Contents of the Financial Statements
for the Year Ended 31st August 2012**

	Page
Report of the Trustees	1 to 5
Report of the Independent Auditors	6
Statement of Financial Activities	7
Balance Sheet	8 to 9
Cash Flow Statement	10
Notes to the Financial Statements	11 to 24

**Watch Tower Bible and Tract Society of
Britain**

**Report of the Trustees
for the Year Ended 31st August 2012**

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31st August 2012. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

03858051 (England and Wales)

Registered Charity number

1077961

Registered office

IBSA House
The Ridgeway
London
NW7 1RN

Trustees

R Drage
J Dowson
P Ellis
B J Vigo
P S Gillies - resigned 2.11.11
P P Bell - appointed 2.11.11

Auditors

Calcutt Matthews Ltd
Chartered Accountants and Statutory Auditor
19 North Street
Ashford
Kent
TN24 8LF

Investment Advisers

Merill Lynch International Bank Ltd
2 King Edward Street
London
EC1A 1HQ

Bankers

Barclays Bank plc
PO Box 12820
London
BX3 2BB

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charity is controlled by its governing document, the memorandum and articles of the company dated 25th October 1999.

Watch Tower Bible and Tract Society of Britain

Report of the Trustees for the Year Ended 31st August 2012

STRUCTURE, GOVERNANCE AND MANAGEMENT

Recruitment and appointment, induction and training of new trustees

The recruitment and induction of new trustees is arranged as follows: On an annual basis the trustees review potential candidates. These are required to be appointed as elders in congregations of Jehovah's Witnesses. Their abilities are evaluated by means of the trustees' personal knowledge of the candidates or by a "personal qualifications report" provided by elders with knowledge of the individuals. Trustees are given appropriate Charity Commission publications and training is arranged as part of the meetings of the trustees when the charity's policies are discussed. This is supplemented by periodic training provided by Calcutt Matthews when new legislation affecting the charity is introduced. Additionally, arrangements are made for new trustees to attend a comprehensive course that includes training in legal, organisational, and financial matters.

The trustees of the charity also have key managerial roles at the charity headquarters. They meet several times each month, and are in regular contact from day to day. Trustees are elected annually, by a simple majority of the members present at the AGM.

Organisational structure

The charity is a UK company limited by guarantee.

The trustees organise the charity into a number of departments. Each department has an experienced, trained overseer who makes regular reports to the trustees.

Wider network

Charities with similar objects exist in many countries around the world. Throughout the year, Watch Tower Bible and Tract Society of Britain (the Society) has continued to work closely with one such charity in Germany. Co-ordination is through the Governing Body of Jehovah's Witnesses, located at their headquarters in the United States.

Related parties

In Britain, the Society works closely with International Bible Students Association (IBSA), which provides the Society with serviced facilities for its charitable activities. The Society passes to IBSA the cost incurred in printing and distributing the Bible-based religious literature manufactured and delivered to destinations in the UK and EU on its behalf, and all other overhead costs.

Risk management

The major risks to which the charity is exposed were reviewed by the trustees in October 2011, when the risk register was updated. The update focused particularly on events that would seriously impede the operations of the charity. Serious risks include catastrophic loss and failure of internal controls. Strategies and safeguards are in place to reduce, as far as possible, the impact of those risks.

OBJECTIVES AND ACTIVITIES

Objectives and aims

The objects of the Society, contained in its Memorandum and Governing document, are to advance the Christian religion as practiced by the body of Christians known as Jehovah's Witnesses. This is accomplished by the following specific sub-objects:

- a. promoting the preaching of the gospel of God's Kingdom under Jesus Christ in all nations as a witness to the name, word and supremacy of the Almighty God, JEHOVAH;
- b. producing and distributing Bibles and other religious literature, in any medium, and educating the public in respect thereof;
- c. promoting religious worship;
- d. promoting Christian missionary work;
- e. advancing religious education;

Watch Tower Bible and Tract Society of Britain

Report of the Trustees for the Year Ended 31st August 2012

OBJECTIVES AND ACTIVITIES

Objectives and aims

The major areas of activities for the year in question have been:

1. printing and distributing Bibles and Bible-based literature in several languages, which has served to advance religious education and educate the general public in spiritual and moral values.
2. supporting congregations of Jehovah's Witnesses and others in Britain with their spiritual and material welfare, by advancing the Christian missionary work, which has promoted religious worship in local communities.
3. supporting congregations of Jehovah's Witnesses and others abroad, primarily in developing countries, with their spiritual and material welfare, by making donations to local associations of Jehovah's Witnesses. The donations have been in the form of literature, goods, and services, as well as of funding for the construction of places of worship. All such donations have promoted religious education overseas.

Grantmaking

The charity's grant making policy is as follows: From time to time the charity is asked by the Governing Body of Jehovah's Witnesses to consider helping Jehovah's Witnesses in countries where a need exists. The charity first satisfies itself that the expenditure will further the religious work of Jehovah's Witnesses, and after confirming that sufficient funds are available, it then sends the money to the organisation caring for Jehovah's Witnesses in that country. Finally, reports are obtained to confirm the money was properly used.

Programme related investments

Note 16 to the financial statements explains that at 31 August 2012, £7.1m (2011 £5.3m) had been lent to congregations of Jehovah's Witnesses in Britain. These interest free loans have been advanced because the objects these congregations are supporting accord with the objects of the Society, as shown above.

Workers and volunteers

All who care for the work of the charity are religious ministers who are members of the Worldwide Order of Special-Full-time Servants of Jehovah's Witnesses

ACHIEVEMENT AND PERFORMANCE

Charitable activities - Producing and distributing Bible literature

The charity's rotary presses have continued to produce The Watchtower and Awake! magazines, as well as other items of Bible-based literature. In the year, over 329 million publications were printed. These included 147 million copies of The Watchtower and Awake! magazines, which were printed in 26 and 16 languages respectively. In total, the charity has sent Bible-based literature to 112 countries in 228 languages. All of the literature produced is used to advance religious education and educate the general public in spiritual and moral values.

A heat recovery unit has been designed and installed to the LTB afterburner, which cleans up the emissions from the printing press. It is estimated that this heat recovery unit will reclaim 200 kWh per hour from the process waste heat. This heat will be used in the heating system, contributing up to 25% of the heating load.

Charitable activities - Promoting Christian Missionary work

In assisting congregations of Jehovah's Witnesses and others in Britain with their spiritual and material welfare, the charity supports over 85 travelling ministers. These visit the congregations on a regular basis, usually twice a year, during which they provide pastoral care. One of the primary objectives of these visits is for the travelling minister to promote the Christian missionary work by providing leadership in the public ministry of Jehovah's Witnesses. Additionally, the charity supports over 130 full-time ministers who assist congregations to which the charity has assigned them. The assistance provided by these ministers enables local congregations of Jehovah's Witnesses to share fully in promoting and preaching the good news of God's Kingdom and teaching principles of Christian living. Such principles include respect for secular authority, persons, and property, and the maintenance of personal morality and family values and other facets of Christianity.

The charity also runs a training school for qualified ministers to better equip them to render spiritual and pastoral care in the community. This school, the Bible School for Single Brothers, gives instruction in Bible teachings and in organisational matters. As a result of such training, some are assigned to serve where there is a need for ministers here in Britain, whereas others receive assignments in foreign countries. During the year there were two classes held from which 47 students graduated. 6 of these students came from European countries. Since the school was inaugurated, 1,033 students have graduated.

Watch Tower Bible and Tract Society of Britain

Report of the Trustees for the Year Ended 31st August 2012

Charitable activities - Making donations to further religious education overseas

During the year the charity continued to provide material and financial assistance to Associations of Jehovah's Witnesses in several countries, who are responsible for the general oversight of the activities of Jehovah's Witnesses in that country. The aid, over £22m in total, was given to promote missionary activity, to support general costs of the local Association, and to assist in the operation of local congregations of Jehovah's Witnesses. Additionally, literature with a value of over £3.1m was donated overseas, mainly to Africa, for use in advancing religious education.

Public benefit

As evidenced above, much has been accomplished by the charity in the year to advance its objects for the public benefit. Literature has been produced to educate the general public in spiritual and moral values. Ministers have been supported in aiding others to develop personal morality and family values. Places of worship have been financed which are open to all who wish to benefit from the practical values contained in the Holy Bible. These activities bear out that the work of the charity continues to benefit both Jehovah's Witnesses and members of the community. The trustees confirm that they have taken into consideration Charity Commission guidance on public benefit in exercising their powers or duties.

Internal controls

To ensure the charity is able to achieve its objectives, appropriate internal controls have been established. These ensure that the monthly financial reports accurately represent all transactions, provide reasonable assurance that finances are being used for their intended purpose, and verify that proper controls and procedures are in place, and adhered to, so that figures are recorded accurately and the accounts are in balance.

The internal audit programme has been achieved. The internal auditor and his assistant have a set agenda to pursue throughout the year, and reported in writing to the trustees in October 2012. Approved recommendations were implemented.

FINANCIAL REVIEW

Reserves policy

Although the charity has a consistent income base, in light of economic conditions, the trustees have arranged to work closely with a similar charity overseas. In view of the resultant good cooperation, it has been possible to reduce the level of reserves held, while improving the service provided to beneficiaries. At the year-end, free reserves stood at £17,056,000, which represented 5 months of expenditure (2011: £21,288,000 and 7 months). Because the arrangement is working so well, the trustees aim over the current year to reduce the level of reserves held. The trustees feel that such a policy makes best use of the charity's income, and are confident that it in no way adversely affects the charity's ability to both sustain and increase its activity.

Principal funding sources

The primary funding activity is the manufacture and distribution of Bible-based religious literature on behalf of IBSA, the cost of which is passed on. The charity also relies to a large extent on voluntary donations to support its work, and has a consistent income base through Gift Aid. As mentioned above, the charity is working closely with a similar charity overseas, and has received substantial grants from this charity, which has committed itself to provide further funding, as both charities work towards fulfilling their common objectives and aims. In addition, the charity has an active treasury management department to handle investments it has been bequeathed or converted.

Investment policy and objectives

The Memorandum and Articles, give power to invest funds in any lawful manner having full regard to the suitability of the investments, the need for diversification, and to be a socially responsible investor having due consideration to the beliefs of Jehovah's Witnesses. The objective is to preserve capital and achieve a real return of 4% plus inflation. The portfolio had a positive performance on August 31, 2012 of 3.34%. Given the objective, and because of the necessity to retain a conservative investment strategy we are happy to have achieved a real return above the inflation benchmark of 1.54%. To reduce risk the Portfolio was diversified by currency and asset class. The Trustees continue to see the wisdom in holding to the current strategy favouring portfolio diversification both by asset class and currency exposure, having adequate liquidity and investment quality.

FUTURE DEVELOPMENTS

The charity anticipates being able to continue to have a full share in funding the activities of Jehovah's Witnesses in other countries and in producing Bible-based publications.

**Watch Tower Bible and Tract Society of
Britain**

**Report of the Trustees
for the Year Ended 31st August 2012**

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Watch Tower Bible and Tract Society of Britain for the purposes of company law) are responsible for preparing the Report of the Trustees 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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 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 the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

ON BEHALF OF THE BOARD:

J Dowson
Trustee

Date: 27 February 2013

Report of the Independent Auditors to the Members of Watch Tower Bible and Tract Society of Britain

We have audited the financial statements of Watch Tower Bible and Tract Society of Britain for the year ended 31st August 2012 on pages seven to twenty four. 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).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 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 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 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

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31st August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nicholas Hume

Nicholas Hume FCA (Senior Statutory Auditor)
for and on behalf of Calcutt Matthews Ltd
Chartered Accountants and Statutory Auditor
19 North Street
Ashford
Kent
TN24 8LF

Date: 28 February 2013

**Watch Tower Bible and Tract Society of
Britain**

**Statement of Financial Activities
(Incorporating an Income and Expenditure Account)
for the Year Ended 31st August 2012**

	Notes	Unrestricted funds £	Restricted funds £	2012 Total funds £	2011 Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	20,445,792	1,707,746	22,153,538	17,389,715
Investment income	3	1,418,333	45,460	1,463,793	1,096,871
Incoming resources from charitable activities					
Producing and distributing Bible literature	4	11,737,574	-	11,737,574	11,757,244
Other incoming resources	5	<u>571,053</u>	<u>-</u>	<u>571,053</u>	<u>189,752</u>
Total incoming resources		34,172,752	1,753,206	35,925,958	30,433,582
RESOURCES EXPENDED					
Costs of generating funds					
Investment management costs	6	191,824	-	191,824	262,088
Charitable activities					
Producing and distributing Bible literature	7	12,074,755	-	12,074,755	12,024,261
Promoting Christian missionary work		892,324	270,685	1,163,009	877,161
Making donations to further religious education overseas		26,090,102	10,732	26,100,834	24,296,057
Governance costs	10	<u>17,900</u>	<u>-</u>	<u>17,900</u>	<u>11,550</u>
Total resources expended		39,266,905	281,417	39,548,322	37,471,117
NET INCOMING/(OUTGOING) RESOURCES					
		(5,094,153)	1,471,789	(3,622,364)	(7,037,535)
Realised gains/(losses) on fixed asset investments		<u>(39,991)</u>	<u>-</u>	<u>(39,991)</u>	<u>(2,339,473)</u>
Net income/(expenditure)		(5,134,144)	1,471,789	(3,662,355)	(9,377,008)
Unrealised gains/losses on investment assets		<u>526,226</u>	<u>-</u>	<u>526,226</u>	<u>(436,068)</u>
Net movement in funds		(4,607,918)	1,471,789	(3,136,129)	(9,813,076)
RECONCILIATION OF FUNDS					
Total funds brought forward		<u>25,213,184</u>	<u>15,138,147</u>	<u>40,351,331</u>	<u>50,164,407</u>
TOTAL FUNDS CARRIED FORWARD		<u><u>20,605,266</u></u>	<u><u>16,609,936</u></u>	<u><u>37,215,202</u></u>	<u><u>40,351,331</u></u>

CONTINUING OPERATIONS

All incoming resources and resources expended arise from continuing activities.

None of the charity's activities were acquired or discontinued during the current and previous years. All gains and losses recognised in the year are included above. The deficit for the year for Companies Act purposes, comprising the net outgoing resources for the year together with the realised losses on investments, was £3,662,355 (2011: £9,377,008).

The notes form part of these financial statements

**Watch Tower Bible and Tract Society of
Britain**

**Balance Sheet
At 31st August 2012**

	Notes	Unrestricted funds £	Restricted funds £	2012 Total funds £	2011 Total funds £
FIXED ASSETS					
Tangible assets	13	3,549,333	861,205	4,410,538	4,371,777
Investments					
Investments	14	45,236,327	7,000,000	52,236,327	57,149,804
Investment property	15	180,000	-	180,000	180,000
Programme related investments	16	-	7,147,878	7,147,878	5,347,289
		<u>48,965,660</u>	<u>15,009,083</u>	<u>63,974,743</u>	<u>67,048,870</u>
CURRENT ASSETS					
Stocks	17	944,902	-	944,902	1,288,840
Debtors: amounts falling due within one year	18	1,371,328	-	1,371,328	1,302,810
Investments	19	100,000	-	100,000	-
Cash at bank and in hand		<u>7,928,496</u>	<u>1,600,853</u>	<u>9,529,349</u>	<u>6,267,064</u>
		10,344,726	1,600,853	11,945,579	8,858,714
CREDITORS					
Amounts falling due within one year	20	(5,124,218)	-	(5,124,218)	(4,891,579)
NET CURRENT ASSETS					
		<u>5,220,508</u>	<u>1,600,853</u>	<u>6,821,361</u>	<u>3,967,135</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		54,186,168	16,609,936	70,796,104	71,016,005
CREDITORS					
Amounts falling due after more than one year	21	(32,029,111)	-	(32,029,111)	(29,333,633)
PROVISIONS FOR LIABILITIES					
	23	(1,551,791)	-	(1,551,791)	(1,331,041)
NET ASSETS					
		<u>20,605,266</u>	<u>16,609,936</u>	<u>37,215,202</u>	<u>40,351,331</u>
FUNDS					
24					
Unrestricted funds:					
General fund				20,501,771	25,109,689
Revaluation Reserve				<u>103,495</u>	<u>103,495</u>
				20,605,266	25,213,184
Restricted funds				<u>16,609,936</u>	<u>15,138,147</u>
TOTAL FUNDS					
				<u>37,215,202</u>	<u>40,351,331</u>

The notes form part of these financial statements

**Watch Tower Bible and Tract Society of
Britain**

**Balance Sheet - continued
At 31st August 2012**

The financial statements were approved by the Board of Trustees on 27 February 2013 and were signed on its behalf by:

J Dowson
Trustee

B Vigo
Trustee

The notes form part of these financial statements

**Watch Tower Bible and Tract Society of
Britain**

**Cash Flow Statement
for the Year Ended 31st August 2012**

	Notes	2012 £	2011 £
Net cash outflow from operating activities	27	(4,397,934)	(6,933,958)
Returns on investments and servicing of finance	28	1,463,015	34,348
Capital expenditure and financial investment	28	3,019,920	5,122,808
		85,001	(1,776,802)
Financing	28	3,177,284	3,473,082
Increase in cash in the period		3,262,285	1,696,280

**Reconciliation of net cash flow to movement in
net debt**

29

Increase in cash in the period		3,262,285	1,696,280
Cash inflow/(outflow) from increase/(decrease) in debt and lease financing		(2,994,975)	(3,432,763)
Change in net debt resulting from cash flows		267,310	(1,736,483)
Non-cash change in current asset investment		100,000	-
Movement in net debt in the period		367,310	(1,736,483)
Net debt at 1st September		(26,325,862)	(24,589,379)
Net debt at 31st August		(25,958,552)	(26,325,862)

The notes form part of these financial statements

Watch Tower Bible and Tract Society of Britain

Notes to the Financial Statements for the Year Ended 31st August 2012

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with applicable accounting standards, the Companies Act 2006 and the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities."

Donations receivable

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. No income is deferred. Donations are from the public, congregations and other similar charities. Donations in the form of assets are included at the market value on the date of the gift.

Income from Bible literature

Income from literature arises from literature sold to International Bible Students Association (IBSA), a connected charity, on a cost basis, in line with the charity's objects.

Legacies

Legacies are recognised at the earlier of the date of notification or being received.

Resources expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. The trustees are of the opinion that support costs are best allocated to the cost of producing Bible literature. Grants offered subject to conditions which have not been met at the year end date are noted as a commitment but not accrued as expenditure.

Costs of generating funds

These are comprised of investment management costs incurred during the year. The charity does not engage in fund raising.

Governance costs

Governance costs comprise external audit fees and other fees from consultants. All other administrative costs are re-charged.

Tangible fixed assets

Fixed assets are valued at cost less depreciation. Assets costing less than £1,000 are not capitalised. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Land	-	Not depreciated
Buildings	-	2% on cost
Plant and machinery	-	10%/15% on cost
Motor vehicles	-	25 % on reducing balance
Fixtures and fittings	-	10% on cost

Impairment reviews are carried out on individual assets when there is some indication that the recoverable amount of a fixed asset is below its net book value.

Investment property

Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in market value is transferred to a revaluation reserve.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Watch Tower Bible and Tract Society of Britain

Notes to the Financial Statements - continued for the Year Ended 31st August 2012

1. ACCOUNTING POLICIES - continued

Taxation

The charity is exempt from corporation tax on its charitable activities.

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes. Where a restricted fund has fulfilled its purpose and excess funds remain, the balance will be transferred into unrestricted funds, provided that this was understood by the donors at the time of their donation.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Foreign exchange gains and losses

Foreign currency balances have been translated at the prevailing rate on the balance sheet date. Income and expenditures during the year have been translated at the prevailing rate on the day of the transaction. Gains and losses arise when foreign currency assets change in value between their purchase and the balance sheet date.

Investments

Investments are valued at market value. All investments listed on a recognised stock exchange are carried at this value. Unlisted investments are valued using the latest valuation information received from the financial institutions managing the funds.

Deposits

The Society has an arrangement whereby individuals or congregations of Jehovah's Witnesses can deposit funds so that the Society can benefit, on the understanding that these funds can be requested back whenever the depositor wishes. Normally, deposits repayable on demand would be classified as falling due within one year. However, in order to show a true and fair view, 90% of total deposits has been classified as falling due after more than one year. There are three reasons why it is felt appropriate to take this action, as follows:

- Experience shows that only a small percentage of deposits (approximately 10%) will be called upon in any one year;
- Much of the cash deposited by congregations and individuals is being held for investment purposes, and therefore has been moved into fixed asset investments in order to comply with the SORP. It would be prejudicial to the charity's liquidity to show a current liability for the creditor (for which no repayment date is known) and to show the resultant asset as a fixed asset investment; and
- The total value of funds deposited is growing year on year. It is anticipated that more funds will be deposited with the Society in the next year than will be returned to existing depositors.

Conditional donations

The charity receives some donations where the donor reserves the right to receive the funds back. Experience has shown that only a small percentage is returned, but prudently the charity provides for fifty percent.

Connected charities

Transactions are on an arms length and accruals basis. Note 25 sets out the relationship with IBSA. Most other countries have an administrative office of Jehovah's Witnesses.

Grants payable

Grants payable to other institutions are recognised at the point when their payment has been approved by the trustees.

Other recognised gains and losses

These comprise unrealised and realised gains and losses on investments. Unrealised gains and losses represent the difference between the market value brought forward (or cost, for assets bought within this financial year) and the market value at the balance sheet date. Realised gains and losses represent the difference between sales proceeds and market value brought forward (or cost, for assets bought within this financial year.)

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

1. ACCOUNTING POLICIES - continued

Donated literature received

Literature received is recognised as a donation when it is received, valued at the equivalent of production cost. It is then held in stock until it is sold.

Irrecoverable VAT

Irrecoverable VAT is included in the relevant cost headings on the face of the Statement of Financial Activities and is not shown as a separate item.

2. VOLUNTARY INCOME

	2012 £	2011 £
Donations of literature	2,055,267	2,423,982
Legacies	977,817	2,473,858
Grants	12,139,311	5,514,047
Donations of cash and goods	<u>6,981,143</u>	<u>6,977,828</u>
	<u>22,153,538</u>	<u>17,389,715</u>

3. INVESTMENT INCOME

	2012 £	2011 £
Rents received	1,940	1,958
Investments listed on a recognised stock exchange	1,218,785	907,550
Other unlisted securities	207,692	130,070
Deposit account interest	<u>35,376</u>	<u>57,293</u>
	<u>1,463,793</u>	<u>1,096,871</u>

4. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2012 £	2011 £
Income from literature sold to IBSA		
Activity		
Producing and distributing Bible literature	<u>11,737,574</u>	<u>11,757,244</u>

5. OTHER INCOMING RESOURCES

	2012 £	2011 £
Gain on sale of tangible fixed assets	130,698	-
Foreign currency gains	291,959	-
Income from recycling	<u>148,396</u>	<u>189,752</u>
	<u>571,053</u>	<u>189,752</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

6. INVESTMENT MANAGEMENT COSTS

	2012 £	2011 £
Portfolio management	<u>191,824</u>	<u>262,088</u>

7. CHARITABLE ACTIVITIES COSTS

	Direct costs £	Grant funding of activities (See note 8) £	Support costs (See note 9) £	Totals £
Producing and distributing Bible literature	8,398,977	-	3,675,778	12,074,755
Promoting Christian missionary work	920,661	242,348	-	1,163,009
Making donations to further religious education overseas	<u>-</u>	<u>26,100,834</u>	<u>-</u>	<u>26,100,834</u>
	<u>9,319,638</u>	<u>26,343,182</u>	<u>3,675,778</u>	<u>39,338,598</u>

8. GRANTS PAYABLE

	2012 £	2011 £
Promoting Christian missionary work	242,348	-
Making donations to further religious education overseas	<u>26,100,834</u>	<u>24,296,057</u>
	<u>26,343,182</u>	<u>24,296,057</u>

During the year, grants paid to overseas institutions with congruous objectives can be analysed as follows:

By continent:

	Cash £	Goods £	Literature £	Totals £
Europe	273,997	345,242	2,508	621,747
Africa	5,939	8,977,506	2,777,894	11,761,339
Asia	191,255	3,170,755	32,250	3,394,260
Americas	-	9,793,065	381,981	10,175,046
Other	<u>-</u>	<u>388,747</u>	<u>2,043</u>	<u>390,790</u>
	<u>471,191</u>	<u>22,675,315</u>	<u>3,196,676</u>	<u>26,343,182</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

8. GRANTS PAYABLE - continued

By activity:

	Cash £	Goods £	Literature £	Totals £
Promoting Christian missionary work by supporting local congregations	267,613	-	-	267,613
Promoting Christian missionary work via the construction of regional headquarters and places of worship	6,384	1,933,534	-	1,939,918
Distribution of Bibles and Bible-based literature	-	-	3,196,676	3,196,676
Supporting regional headquarters in their administration of Christian missionary work	<u>197,194</u>	<u>20,741,781</u>	-	<u>20,938,975</u>
	<u>471,191</u>	<u>22,675,315</u>	<u>3,196,676</u>	<u>26,343,182</u>

Material grants (in the context of grant-making) were made to the following institutions:

Watch Tower Bible & Tract Society of South Africa
 Watch Tower Bible & Tract Society, Ghana
 Watch Tower Society of Jehovah's Witnesses, Nigeria
 Watchtower Bible & Tract Society Of New York, Inc, United States of America
 Watch Tower Bible & Tract Society Of Canada
 La Torre Del Vigia, A.R., Mexico
 Watch Tower Bible And Tract Society, Japan

Equivalent figures for the previous year were as follows:

By continent:

	Cash £	Goods £	Literature £	Totals £
Europe	-	305,833	140	305,973
Africa	16	8,438,873	3,617,785	12,056,674
Asia	247,803	3,256,022	33,748	3,537,573
Americas	107,767	7,352,817	405,904	7,866,488
Other	<u>118,295</u>	<u>409,686</u>	<u>1,368</u>	<u>529,349</u>
	<u>473,881</u>	<u>19,763,231</u>	<u>4,058,945</u>	<u>24,296,057</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

8. GRANTS PAYABLE - continued

By activity:

	Cash £	Goods £	Literature £	Totals £
Promoting Christian missionary work via the construction of regional headquarters	-	2,291,756	-	2,291,756
Distribution of Bibles and Bible-based literature	-	-	4,058,945	4,058,945
Supporting regional headquarters in their administration of Christian missionary work	<u>473,881</u>	<u>17,471,475</u>	<u>-</u>	<u>17,945,356</u>
	<u>473,881</u>	<u>19,763,231</u>	<u>4,058,945</u>	<u>24,296,057</u>

9. SUPPORT COSTS

	Other £
Producing and distributing Bible literature	<u>3,675,778</u>

Support costs have been allocated to producing and distributing Bible literature.

10. GOVERNANCE COSTS

	2012 £	2011 £
Auditors' remuneration	17,550	11,550
Auditors' remuneration for non-audit work	<u>350</u>	<u>-</u>
	<u>17,900</u>	<u>11,550</u>

11. NET INCOMING/(OUTGOING) RESOURCES

Net resources are stated after charging/(crediting):

	2012 £	2011 £
Auditors' remuneration	17,550	11,550
Auditors' remuneration for non-audit work	350	-
Depreciation - owned assets	726,757	678,247
(Surplus)\deficit on disposal of fixed asset	<u>(83,045)</u>	<u>8,041</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

12. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31st August 2012 nor for the year ended 31st August 2011.

The trustees confirm that they have not been involved with any transactions of the charity.

The trustees of the Society receive no payments or reimbursements in their capacity as trustees. The trustees are also workers for IBSA, and as such they receive a monthly allowance of £96 and an annual allowance of £380 per year, along with free board and lodging from IBSA as indeed do all workers.

Trustees' Expenses

There were no trustees' expenses paid for the year ended 31st August 2012 nor for the year ended 31st August 2011.

13. TANGIBLE FIXED ASSETS

	Freehold property	Plant and machinery	Fixtures and fittings	Motor vehicles	Totals
	£	£	£	£	£
COST					
At 1st September 2011	198,812	8,569,980	223,024	1,784,669	10,776,485
Additions	110,000	32,149	55,085	912,240	1,109,474
Disposals	<u>(168,812)</u>	<u>(30,049)</u>	<u>(26,400)</u>	<u>(635,212)</u>	<u>(860,473)</u>
At 31st August 2012	<u>140,000</u>	<u>8,572,080</u>	<u>251,709</u>	<u>2,061,697</u>	<u>11,025,486</u>
DEPRECIATION					
At 1st September 2011	37,795	5,150,645	171,598	1,044,670	6,404,708
Charge for year	2,765	525,012	22,968	176,012	726,757
Eliminated on disposal	<u>(34,105)</u>	<u>(26,824)</u>	<u>(26,400)</u>	<u>(429,188)</u>	<u>(516,517)</u>
At 31st August 2012	<u>6,455</u>	<u>5,648,833</u>	<u>168,166</u>	<u>791,494</u>	<u>6,614,948</u>
NET BOOK VALUE					
At 31st August 2012	<u>133,545</u>	<u>2,923,247</u>	<u>83,543</u>	<u>1,270,203</u>	<u>4,410,538</u>
At 31st August 2011	<u>161,017</u>	<u>3,419,335</u>	<u>51,426</u>	<u>739,999</u>	<u>4,371,777</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

14. FIXED ASSET INVESTMENTS

	Listed investments £
MARKET VALUE	
At 1st September 2011	57,149,804
Additions	7,622,654
Disposals	(7,089,011)
Revaluations	526,226
Reclassification/transfer	<u>(5,973,346)</u>
At 31st August 2012	<u>52,236,327</u>
 NET BOOK VALUE	
At 31st August 2012	<u>52,236,327</u>
At 31st August 2011	<u>57,149,804</u>

Total market values of investment assets held at 31 August 2012 are analysed as follows:

	Listed investments	Unlisted investments	Total
	£	£	£
Investment assets outside the UK	<u>41,456,379</u>	<u>10,779,949</u>	<u>52,236,328</u>

Unlisted investments are comprised of various funds and derivatives managed by professional firms and banks. The valuations are based on the external fund managers' estimates of the underlying assets of the investment vehicle.

15. INVESTMENT PROPERTY

	£
MARKET VALUE	
At 1st September 2011 and 31st August 2012	<u>180,000</u>
 NET BOOK VALUE	
At 31st August 2012	<u>180,000</u>
At 31st August 2011	<u>180,000</u>

Investment property has been valued by the trustees on the basis of the sale price of comparable properties in the local area.

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

16. PROGRAMME RELATED INVESTMENTS

	Congregation Loans £	Totals £
MARKET VALUE		
At 1st September 2011	5,347,289	5,347,289
Additions	4,269,979	4,269,979
Disposals	<u>(2,469,390)</u>	<u>(2,469,390)</u>
At 31st August 2012	<u>7,147,878</u>	<u>7,147,878</u>
 NET BOOK VALUE		
At 31st August 2012	<u>7,147,878</u>	<u>7,147,878</u>
At 31st August 2011	<u>5,347,289</u>	<u>5,347,289</u>

Congregation loans

These investments comprise funds loaned to congregations of Jehovah's Witnesses in Britain for the purpose of purchasing, constructing or renovating buildings as places of worship. The ability of the congregation to repay such monies is assessed prior to the funds being extended. All such loans are on an interest free basis. These loans enable the Society to further its aims of promoting religious education and worship.

17. STOCKS

	2012 £	2011 £
Raw materials	88,726	112,488
Motor vehicle spares and consumables	29,263	42,089
Bibles and other literature	<u>826,913</u>	<u>1,134,263</u>
	<u>944,902</u>	<u>1,288,840</u>

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade debtors	1,003,881	943,019
Other debtors	367,447	358,629
Prepayments and accrued income	<u>-</u>	<u>1,162</u>
	<u>1,371,328</u>	<u>1,302,810</u>

19. CURRENT ASSET INVESTMENTS

	2012 £	2011 £
Land in course of disposal	<u>100,000</u>	<u>-</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Deposits (see note 22)	3,558,790	3,259,293
Trade creditors	1,116,189	1,243,553
Other creditors	437,839	381,233
Accrued expenses	<u>11,400</u>	<u>7,500</u>
	<u>5,124,218</u>	<u>4,891,579</u>

21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	£	£
Deposits (see note 22)	<u>32,029,111</u>	<u>29,333,633</u>

Deposits comprise monies received from individuals, circuits and congregations and held with the Society until they have a need. Based on previous experience, it is considered highly unlikely that the entire balance of deposits will be demanded within the next financial year.

The deposits are given on the understanding that the Society will repay them on demand. This would normally lead to them being classified as current liabilities. If all of the cash received in respect of these deposits was held as a current asset, then this would be the accounting policy adopted. However, as cash accumulates (from all sources, including deposits received) the trustees consider it prudent and cost effective to make transfers into fixed asset investments, both to improve security of principal and return on investment.

The trustees believe that it would be prejudicial to the charity's liquidity to show a current liability for the creditor (for which no repayment date is known) and to show most of the resultant asset as a fixed asset investment. The trustees have therefore classified the deposits as long-term creditors in order to show a true and fair view.

Based on requests for repayment over recent financial years, it is anticipated that approximately 10% of deposits held will be requested back in the next 12 months. The trustees therefore consider it prudent to class 10% of the balance of deposits as short term creditors.

22. DEPOSITS

An analysis of the maturity of deposits is given below:

	2012	2011
	£	£
Amounts falling due within one year on demand:		
Deposits- due within 1 year	<u>3,558,790</u>	<u>3,259,293</u>
Amounts falling between one and two years:		
Deposits- due between 1 and 5 years	35,587,901	32,592,926
Less- 10% transferred to short term creditors	<u>(3,558,790)</u>	<u>(3,259,293)</u>
	<u>32,029,111</u>	<u>29,333,633</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

23. PROVISIONS FOR LIABILITIES

	2012 £	2011 £
Conditional donations	<u>1,551,791</u>	<u>1,331,041</u>
		£
Provision at 1 September 2011		1,331,041
Provision on new conditional donations received		269,650
Provision released on conditional donations converted into donations		(37,250)
Provision released on conditional donations repaid		<u>(11,650)</u>
Provision at 31 August 2012		<u>1,551,791</u>

Conditional donations are donations made by individuals on the understanding that they may be recalled should the donor require such funds in the future. The donor retains an option over their donation until they die or write to convert it into an outright donation. While it is considered probable that some of these conditional donations will need to be repaid, it is unknown when this liability will crystallise or how large it will be. The trustees have therefore prudently made a provision for 50% of the balance of conditional donations as shown above. £23,300 was requested back in the financial year (2011: £24,000). The remaining £1.6 million is a contingent liability.

24. MOVEMENT IN FUNDS

	At 1.9.11 £	Net movement in funds £	At 31.8.12 £
Unrestricted funds			
General fund	25,109,689	(4,607,918)	20,501,771
Revaluation Reserve	<u>103,495</u>	-	<u>103,495</u>
	25,213,184	(4,607,918)	20,605,266
Restricted funds			
Kingdom Hall Construction Worldwide	8,926,029	1,279,660	10,205,689
Travelling Overseers Assistance Arrangement	1,095,131	(181,000)	914,131
Kingdom Hall Assistance Arrangement	4,973,308	357,030	5,330,338
Relief Fund	<u>143,679</u>	<u>16,099</u>	<u>159,778</u>
	15,138,147	1,471,789	16,609,936
TOTAL FUNDS	<u>40,351,331</u>	<u>(3,136,129)</u>	<u>37,215,202</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

24. MOVEMENT IN FUNDS - continued

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	34,172,752	(39,266,905)	486,235	(4,607,918)
Restricted funds				
Kingdom Hall Construction Worldwide	1,286,044	(6,384)	-	1,279,660
Travelling Overseers Assistance Arrangement	19,467	(200,467)	-	(181,000)
Kingdom Hall Assistance Arrangement	431,596	(74,566)	-	357,030
Relief Fund	16,099	-	-	16,099
	<u>1,753,206</u>	<u>(281,417)</u>	<u>-</u>	<u>1,471,789</u>
TOTAL FUNDS	<u><u>35,925,958</u></u>	<u><u>(39,548,322)</u></u>	<u><u>486,235</u></u>	<u><u>(3,136,129)</u></u>

Travelling Overseers Assistance Arrangement

This fund was formerly named the Ministers car fund and was set up for the provision of motor vehicles for travelling ministers in the British field.

Kingdom Hall Assistance Arrangement

The Kingdom Hall Assistance Arrangement (KHAA) exists to give aid where losses and damages have been suffered by congregations or individuals. Many congregations and certain individuals pay into this fund on the understanding that the Society will give them financial assistance in the event of loss or damage to their property. This fund operates world wide, so that if any one local branch office of Jehovah's Witnesses is unable to meet the demands on its Kingdom Hall Assistance Arrangement, it can request other branches to contribute from their own KHAA funds. This creates a contingent liability within the Society's accounts, limited to the value of the fund locally, currently £5 million.

Kingdom Hall Construction Worldwide

This was set up to provide monies to assist with the purchase of places of worship. It was formerly known as the Society Kingdom Hall Fund.

Relief Fund

This fund exists for the purpose of giving support to areas experiencing distress or natural disaster.

25. RELATED PARTY DISCLOSURES

The charity has close connections with International Bible Students Association ("IBSA"), which provides serviced facilities to Watch Tower and which is a registered charity with similar objects. IBSA also has the same registered office as that of Watch Tower.

During the year, the Association purchased literature from Watch Tower amounting to £11,853,989 (2011: £11,742,371). At the year end, IBSA owed Watch Tower £871,716 (2011: £867,883), being the invoice for August 2012.

As an integral part of the charitable activities of IBSA, it provided Watch Tower with serviced facilities to enable Watch Tower to carry out its charitable activities. During the year, the Association charged Watch Tower £4,664,444 (2011: £4,425,669) for these services. At the year end, Watch Tower owed the Association £403,242 (2011: £387,404) in respect of these transactions.

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

26. GOING CONCERN

Following the banking crisis in 2008, the trustees have carried out a review of the stability of assets held with banks and other financial institutions at the year end. They are satisfied that assets are held in institutions with only the highest ratings, and no provisions other than those made in the accounts are required.

The trustees are satisfied that they have sufficient liquid funds to run the charity for the foreseeable future.

27. RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2012	2011
	£	£
Net outgoing resources	(3,622,364)	(7,037,535)
Depreciation charges	726,757	678,247
(Profit)/loss on disposal of fixed assets	(83,045)	8,041
Interest received	(36,538)	(57,555)
Dividends received	(1,426,477)	(1,037,620)
Other non-cash donations received	(462,809)	(68,199)
Fixed assets donated to other charities	2,730	-
Increase in provisions	(220,751)	(183,499)
Movements related to investments	-	733,812
Movements on conditional donations	516,001	394,878
Decrease/(increase) in stocks	343,938	(141,054)
(Increase)/decrease in debtors	(68,518)	682,680
Decrease in creditors	<u>(66,858)</u>	<u>(906,154)</u>
Net cash outflow from operating activities	<u>(4,397,934)</u>	<u>(6,933,958)</u>

28. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest received	36,538	57,555
Dividends received	1,426,477	1,037,620
Income kept in fixed asset investments	<u>-</u>	<u>(1,060,827)</u>
Net cash inflow for returns on investments and servicing of finance	<u>1,463,015</u>	<u>34,348</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(999,474)	(191,325)
Purchase of fixed asset investments	(7,622,654)	-
Programme related investments advanced	(4,269,978)	(5,254,485)
Sale of tangible fixed assets	424,271	2,041
Sale of fixed asset investments	7,049,020	-
Programme related investments repaid	2,465,389	10,566,577
FA Investments transferred to cash	<u>5,973,346</u>	<u>-</u>
Net cash inflow for capital expenditure and financial investment	<u>3,019,920</u>	<u>5,122,808</u>

**Watch Tower Bible and Tract Society of
Britain**

**Notes to the Financial Statements - continued
for the Year Ended 31st August 2012**

**28. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT -
continued**

	2012 £	2011 £
Financing		
Loans advanced by depositors	8,621,455	7,643,693
Loans repaid to depositors on demand	(5,442,732)	(4,170,611)
Revaluation of deposit in Euro	(1,439)	-
Net cash inflow from financing	<u>3,177,284</u>	<u>3,473,082</u>

29. ANALYSIS OF CHANGES IN NET DEBT

	At 1.9.11 £	Cash flow £	Other non-cash changes £	At 31.8.12 £
Net cash:				
Cash at bank and in hand	6,267,064	3,262,285		9,529,349
Liquid resources:				
Current asset investments	-	-	100,000	100,000
Debt:				
Debts falling due within one year	(3,259,293)	(299,497)	-	(3,558,790)
Debts falling due after one year	<u>(29,333,633)</u>	<u>(2,695,478)</u>	-	<u>(32,029,111)</u>
	<u>(32,592,926)</u>	<u>(2,994,975)</u>		<u>(35,587,901)</u>
Total	<u>(26,325,862)</u>	<u>267,310</u>	<u>100,000</u>	<u>(25,958,552)</u>