

registered company number: 3858051
registered charity number: 1077961

**Report of the trustees and financial statements
Year Ended 31 August 2010**

Watch Tower Bible and Tract Society of Britain

Watch Tower Bible and Tract Society of Britain
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For the Year Ended 31st August 2010

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Watch Tower Bible and Tract Society of Britain

Trustees' Report

For the Year Ended 31st August 2010

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 31 August 2010. 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

3858051 (England and Wales)

Registered Charity number

1077961

Registered office

IBSA House
The Ridgeway
London
NW7 1RN

Trustees

R Drage
J Dowson
P Ellis
B Vigo
P S Gillies

Statutory Auditors

Calcutt Matthews
Chartered Accountants and Registered Auditors
2nd Floor Cardine House
30 North Street
Ashford
TN24 8JR

Bankers

Barclays Bank plc
PO Box 12820
London
BX3 2BB

Investment Advisers

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

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.

Recruitment and appointment, induction and training of 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.

Watch Tower Bible and Tract Society of Britain

Trustees' Report

For the Year Ended 31st August 2010

Structure, governance and management

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. Co-ordination is through the Governing Body of Jehovah's Witnesses, located at their headquarters in the United States.

Related parties

Watch Tower Bible and Tract Society of Britain (the Society) works closely with International Bible Students Association (IBSA), which permits the Society to use its facilities for the Society's charitable activities, and provides accommodation for volunteers. IBSA makes a monthly service and maintenance charge to the Society for the facilities it uses and for providing accommodation for volunteers connected with the Society's activities. The Society passes to IBSA the cost incurred in printing and distributing the Bible-based religious literature manufactured and delivered to destinations 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 February 2010, with particular focus 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;
- f. maintaining one or more religious orders or communities of special ministers of Jehovah's Witnesses.

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.

Volunteers

The charity is run entirely by volunteers kindly provided by IBSA.

Programme related investments

Note 12 to the financial statements explains that at 31 August 2010, £10.7m (2009 £14.3m) had been lent to a connected charity and to congregations of Jehovah's Witnesses in Britain. These interest free loans have been advanced because the objects these charities are supporting accord with the objects of the Society, as shown above.

Watch Tower Bible and Tract Society of Britain

Trustees' Report

For the Year Ended 31st August 2010

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 350 million publications were printed. These included 157 million copies of *The Watchtower* and *Awake!* magazines, which were printed in 27 and 15 languages respectively. In total, the charity has sent Bible-based literature to 97 countries in 232 languages. All of the literature produced is used to advance religious education and educate the general public in spiritual and moral values.

We continue to be committed to complying with relevant legal requirements to reduce as far as possible any impacts on the environment from our operations. On August 18, 2010, the printworks was inspected under the "Environmental Permitting (England and Wales) Regulations 2010." The inspector's risk assessment for Local Air Pollution Control reported that "Emissions control exceeds BATNEEC Requirements." In a follow-up letter the inspector wrote: "All of your permit conditions are being complied with. . . The printworks is obviously well managed with respect to its environmental impact." The Risk Assessment Score Sheet shows that the printworks continues to retain its "low risk category."

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 80 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 140 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 Ministerial Training School, 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 three classes held from which 70 students graduated. Since the school was inaugurated, 937 students from over 30 countries have graduated.

Charitable activities - Making donations to further religious education overseas

During the year the charity continued to support the construction of places of worship in Europe through making grants totalling over £111,000. The completed places of worship will be centres for both local congregations of Jehovah's Witnesses and members of the local community who wish to benefit from the practical values contained in the Holy Bible, which promotes both the moral and spiritual edification of mankind.

The charity also provided material and financial assistance to Associations of Jehovah's Witnesses in several developing countries, who are responsible for the general oversight of the activities of Jehovah's Witnesses in that country. The funds, over £6.8m in total, were given to promote missionary activity, to support general oversight 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 £4.9m was donated overseas, mainly to Africa, for use in advancing religious education.

Humanitarian aid of £32,000 was provided by the charity to assist those affected by the earthquake that struck Haiti. These funds were used towards the provision of meals and tents, the building of provisional housing units, and the operation of a temporary hospital, complete with a portable operating room.

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, both drawn from the volunteer work force, have a set agenda to pursue throughout the year, and reported in writing to the trustees in October 2010. Approved recommendations were implemented.

Watch Tower Bible and Tract Society of Britain

Trustees' Report

For the Year Ended 31st August 2010

Financial review

Impact of increase in work

The charity's workload continues to increase. The trustees have considered the financial and non-financial impact of this increase, and have taken appropriate action to ensure the charity can continue to operate successfully.

Reserves policy

Although the charity has a consistent income base, in light of economic conditions, the trustees reviewed the reserves policy last year and increased the required level of reserves to be held to the equivalent of 6 months expenditure. At the year-end, free reserves stood at £20,068,000, which represented 10 months of expenditure (2009: £14,815,000 and 9 months).

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. In addition, the charity has an active treasury management department to handle investments it has been bequeathed or converted.

Investment policy and objectives

Paragraphs 4.18 and 4.19 of 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 achieved a return on August 31, 2010 of 5.00%. The UK Retail Price Index which is an overall measure of inflation showed a YOY rate of 3.1% representing an upward move during the period of 1.5%. Global Consumer Prices index of leading industrial nations compiled by the IMF shows global inflation for the period as 1.31%. The portfolio did not achieve the target of 4% above inflation. However, the period in question continued to be very volatile, with central governments endeavouring to stimulate their economies using various fiscal and economic initiatives. The effect was to make it difficult to determine which investment strategies would result in modest gains while preserving the overall portfolio value. As a result, during the period, only investments which had liquidity were purchased. This allowed for investments to be sold if required quickly and held as cash. To end the period with a real return (above inflation) continues to reinforce the foresight of the trustees to diversify the portfolio into several asset classes globally and to take a very conservative stance, holding cash instruments when deemed necessary rather than investing in other asset classes. The return compares favourably with the market in general.

Since the end of the financial year, global financial markets are increasingly becoming positive. However, to protect the value of the portfolio the trustees continue to adopt a cautious approach to investing, until they see a genuine financial recovery in place.

Future developments

The charity anticipates being able to continue to have a full share in funding the activities of Jehovah's Witnesses in developing countries and sharing in the construction of much needed places of worship in these countries. For example, it is anticipated that further funds and construction supplies will be donated to assist with the expansion of the administrative facilities of Jehovah's Witnesses in Nigeria next year. It is also expected that the production of Bible-based publications will continue to increase. Additionally, the charity is increasingly involved in providing technical assistance to similar charities overseas.

Statement of trustees' responsibilities

The trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit 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;
- 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.

**Watch Tower Bible and Tract Society of Britain
Trustees' Report
For the Year Ended 31st August 2010**

Statement as to disclosure of information to auditors

So far as the trustees are aware, there is no relevant information of which the charitable company's auditors are unaware, and each trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any audit information and to establish that the charitable company's auditors are aware of that information.

On behalf of the board:

J. Dowson
Trustee

Date: 16 February 2011

Independent Auditors' Report to the Members of Watch Tower Bible and Tract Society of Britain For the Year Ended 31st August 2010

We have audited the financial statements of Watch Tower Bible and Tract Society of Britain for the year ended 31 August 2010, which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 6, 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 (APB'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.

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 August 2010 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 Trustees' Annual Report 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.

N. M. Hume

N M Hume
Senior Statutory Auditor
For and on behalf of Calcutt Matthews, Statutory Auditors
Chartered Accountants and Registered Auditors
2nd Floor Cardine House
30 North Street
Ashford
Kent
TN24 8JR

Date: 3 March 2011

Watch Tower Bible and Tract Society of Britain
Statement of Financial Activities (incorporating an income and expenditure account)
For the Year Ended 31st August 2010

	Notes	Unrestricted funds £'000	Restricted funds £'000	2010 Total funds £'000	2009 Total funds £'000 (As restated)
Incoming resources					
Incoming resources from generated funds					
Voluntary income	2	9,658	1,958	11,616	12,228
Investment income	3	693	42	735	1,239
Incoming resources from charitable activities					
Producing and distributing Bible literature	4	11,341	-	11,341	8,037
Other incoming resources	5	<u>746</u>	<u>-</u>	<u>746</u>	<u>1,711</u>
Total incoming resources		22,438	2,000	24,438	23,215
Resources expended					
Costs of generating funds					
Investment management costs		312	-	312	-
Charitable activities					
Producing and distributing Bible literature	6	10,382	-	10,382	9,630
Promoting Christian missionary work		685	308	993	987
Making donations to further religious education overseas	7	11,764	143	11,907	9,218
Governance costs	8	<u>12</u>	<u>-</u>	<u>12</u>	<u>13</u>
Total resources expended		23,155	451	23,606	19,848
Net incoming/(outgoing) resources before transfers		(717)	1,549	832	3,367
Transfers					
Gross transfers between funds		<u>238</u>	<u>(238)</u>	<u>-</u>	<u>-</u>
Net incoming/(outgoing) resources before other recognised gains and losses		(479)	1,311	832	3,367
Other recognised gains/losses					
Realised losses on investment assets		(675)	-	(675)	(899)
Unrealised gains/(losses) on investment assets		<u>2,244</u>	<u>-</u>	<u>2,244</u>	<u>(1,844)</u>
Net movement in funds		1,090	1,311	2,401	624
Reconciliation of funds					
Total funds brought forward		35,539	12,224	47,763	47,139
Total funds carried forward		<u>36,629</u>	<u>13,535</u>	<u>50,164</u>	<u>47,763</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 surplus for the year for Companies Act purposes, comprising the net incoming resources for the year together with the realised losses on investments, was £157,094 (2009:£ 2,469,148).

Watch Tower Bible and Tract Society of Britain
Balance Sheet
As at 31st August 2010

	Notes	Unrestricted funds £'000	Restricted funds £'000	2010 Total funds £'000	2009 Total funds £'000 (as restated)
Fixed assets					
Tangible assets	11	4,535	410	4,945	5,436
Investments:	12				
Investments		52,702	7,000	59,702	47,086
Programme related investments		<u>6,125</u>	<u>4,534</u>	<u>10,659</u>	<u>14,326</u>
		63,362	11,944	75,306	66,848
Current assets					
Stocks	13	1,148	-	1,148	1,024
Debtors: amounts falling due within one year	14	1,985	-	1,985	1,456
Cash at bank		<u>2,980</u>	<u>1,591</u>	<u>4,571</u>	<u>8,781</u>
		6,113	1,591	7,704	11,261
Creditors					
Amounts falling due within one year	15	(5,454)	-	(5,454)	(3,315)
		<u>659</u>	<u>1,591</u>	<u>2,250</u>	<u>7,946</u>
Net current assets					
		64,021	13,535	77,556	74,794
Total assets less current liabilities					
Creditors					
Amounts falling due after more than one year	16	(26,244)	-	(26,244)	(26,171)
Provisions for liabilities and charges					
	17	(1,148)	-	(1,148)	(860)
		<u>36,629</u>	<u>13,535</u>	<u>50,164</u>	<u>47,763</u>
Net assets					
Funds					
Unrestricted funds	18			36,629	35,539
Restricted funds				<u>13,535</u>	<u>12,224</u>
Total funds					
				<u>50,164</u>	<u>47,763</u>

The financial statements were approved by the Board of Trustees on 16 February 2011 and were signed on its behalf by:

P. Ellis
Trustee

B. Vigo
Trustee

Watch Tower Bible and Tract Society of Britain
Cash Flow Statement
For the Year Ended 31st August 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	20	2,153	516
Returns on investments and servicing of finance	21	29	121
Capital expenditure and financial investment	21	(6,754)	(9,127)
Management of liquid resources	21	-	3,845
Financing	21	362	7,582
(Decrease)/increase in cash in the period		<u><u>(4,210)</u></u>	<u><u>2,937</u></u>

Reconciliation of net cash flow to movement in net debt

	22		
(Decrease)/Increase in cash in the period		(4,210)	2,937
Cash flow from decrease in liquid resources		-	(3,845)
Cash flow from increase in financing		(362)	(7,582)
Other non-cash change to financing		<u>281</u>	<u>2</u>
Change in net debt		(4,291)	(8,488)
Net debt at 1 September 2009		<u>(20,298)</u>	<u>(11,810)</u>
Net debt at 31 August 2010		<u><u>(24,589)</u></u>	<u><u>(20,298)</u></u>

Watch Tower Bible and Tract Society of Britain

Notes to the Financial Statements

For the Year Ended 31st August 2010

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", revised 2005.

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 connected 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

All expenditure is accounted for on an accruals basis and has been classified under the headings with all aggregate costs related to that category. The trustees are of the opinion that support costs are best allocated to the cost of producing literature.

Governance costs

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

Costs of Generating Funds

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

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% on cost
Motor vehicles	-	25 % on reducing balance

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.

Stocks

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

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.

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.

Watch Tower Bible and Tract Society of Britain
Notes to the Financial Statements
For the Year Ended 31st August 2010

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. Experience shows that only a small percentage of deposits (approximately 10%) will be called upon in any one year. In addition, much of the cash received has been moved into fixed asset investments. To show the total amount of deposits as short-term liabilities would indicate that the charity did not have sufficient liquid assets to meet its short-term liabilities, which is not the case. The trustees therefore feel it appropriate to reclassify these as falling due after more than one year. 10% of the total amount on deposit is classed as a short term creditor.

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 19 sets out the relationship with IBSA. Most other countries have a branch 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.)

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.

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

	2010	2009
	£'000	£'000
Donations of cash and goods	7,108	7,257
Donations of literature	2,433	2,156
Legacies	<u>2,075</u>	<u>2,815</u>
	<u><u>11,616</u></u>	<u><u>12,228</u></u>

3. Investment income

During the year, investment income was derived as follows:

	2010	2009
	£'000	£'000
		(as restated)
Investments listed on a recognised stock exchange	266	446
Other unlisted securities	329	1
Interest from bank deposits	<u>140</u>	<u>792</u>
	<u><u>735</u></u>	<u><u>1,239</u></u>

Watch Tower Bible and Tract Society of Britain
Notes to the Financial Statements
For the Year Ended 31st August 2010

4. Incoming resources from charitable activities

		2010	2009
		£'000	£'000
	Activity		
Income from literature sold to IBSA	Producing and distributing Bible literature	<u>11,341</u>	<u>8,037</u>

5. Other incoming resources

	2010	2009
	£'000	£'000
Foreign currency gains	635	1,671
Income from recycling	109	37
Rental	<u>2</u>	<u>3</u>
	<u>746</u>	<u>1,711</u>

6. Charitable activities costs

	Direct costs	Support costs	Totals
	£'000	£'000	£'000
Producing and distributing Bible literature	7,376	3,006	10,382
Promoting Christian missionary work	993	-	993
Making donations to further religious education overseas	<u>11,907</u>	<u>-</u>	<u>11,907</u>
	<u>20,276</u>	<u>3,006</u>	<u>23,282</u>

Support costs of £3,006,000 (2009: £4,616,000) have been allocated to producing and distributing Bible literature.

The equivalent figures for the 2009 year end were as follows (as restated):

	Direct costs	Support costs	Totals
	£'000	£'000	£'000
Producing and distributing Bible literature	5,014	4,616	9,630
Promoting Christian missionary work	947	-	947
Making donations to further religious education overseas	<u>9,218</u>	<u>-</u>	<u>9,218</u>
	<u>15,179</u>	<u>4,616</u>	<u>19,795</u>

Analysis of costs of producing and distributing Bible literature

	2010	2009
	£'000	£'000
Total cost of all literature for distribution	15,345	13,537
Of which, donated overseas (see note 7)	<u>(4,963)</u>	<u>(3,907)</u>
Net cost of goods sold	<u>10,382</u>	<u>9,630</u>

Watch Tower Bible and Tract Society of Britain
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7. Grants

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

By continent:

	Cash	Goods	Literature	Totals
	£'000	£'000	£'000	£'000
Europe	169	184	2	355
Africa	-	5,619	4,737	10,356
Asia	252	368	31	651
Americas	32	309	192	533
Other	-	11	1	12
	<u>453</u>	<u>6,491</u>	<u>4,963</u>	<u>11,907</u>

By activity:

	Cash	Goods	Literature	Totals
	£'000	£'000	£'000	£'000
Promoting Christian missionary work via the construction of places for worship	111	-	-	111
Promoting Christian missionary work via the construction of regional headquarters	-	1,784	-	1,784
Distribution of Bibles and Bible-based literature	-	-	4,963	4,963
Supporting regional headquarters' in their administration of Christian missionary work	342	4,707	-	5,049
	<u>453</u>	<u>6,491</u>	<u>4,963</u>	<u>11,907</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
 Association Les Témoins de Jéhovah, Democratic Republic of Congo

The equivalent figures for the 2009 year end were as follows:

By continent:

	Cash	Goods	Literature	Totals
	£'000	£'000	£'000	£'000
Europe	211	50	-	261
Africa	78	2,558	3,712	6,348
Asia	2,000	82	25	2,107
Americas	1	92	96	189
Other	119	120	74	313
	<u>2,409</u>	<u>2,902</u>	<u>3,907</u>	<u>9,218</u>

By activity:

	Cash	Goods	Literature	Totals
	£'000	£'000	£'000	£'000
Promoting Christian missionary work via the construction of places for worship	525	-	-	525
Promoting Christian missionary work via the construction of regional headquarters	-	1,383	-	1,383
Distribution of Bibles and Bible-based literature	-	-	3,907	3,907
Supporting regional headquarters' in their administration of Christian missionary work	1,884	1,519	-	3,403
	<u>2,409</u>	<u>2,902</u>	<u>3,907</u>	<u>9,218</u>

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8. Governance costs

	2010	2009
	£'000	£'000
Legal fees	-	1
Auditors' remuneration	<u>12</u>	<u>12</u>
	<u>12</u>	<u>13</u>

9. Net incoming resources

Net incoming resources are stated after charging:

	2010	2009
	£'000	£'000
Auditors' remuneration	12	12
Other services provided by external auditors	-	-
Loss on disposal of fixed assets	10	49
Depreciation	<u>769</u>	<u>858</u>

10. Trustees' remuneration and benefits

There were no trustees' remuneration or other benefits for the year ended 31 August 2010 nor for the year ended 31 August 2009.

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 volunteer workers for IBSA, and as such they receive personal expense allowances of £95 per month and a personal expense gift of £300 per year with free board and lodging from IBSA as indeed do all volunteers.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 August 2010 nor for the year ended 31 August 2009.

11. Tangible fixed assets

	Land & Buildings	Plant & machinery	Motor vehicles	Totals
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2009	286	8,632	1,707	10,625
Additions	-	317	5	322
Disposals	<u>-</u>	<u>(134)</u>	<u>(6)</u>	<u>(140)</u>
At 31 August 2010	<u>286</u>	<u>8,815</u>	<u>1,706</u>	<u>10,807</u>
Depreciation				
At 1 September 2009	39	4,424	726	5,189
Charge for year	5	549	215	769
Eliminated on disposal	<u>-</u>	<u>(92)</u>	<u>(4)</u>	<u>(96)</u>
At 31 August 2010	<u>44</u>	<u>4,881</u>	<u>937</u>	<u>5,862</u>
Net book value				
At 31 August 2010	<u>242</u>	<u>3,934</u>	<u>769</u>	<u>4,945</u>
At 31 August 2009	<u>247</u>	<u>4,208</u>	<u>981</u>	<u>5,436</u>

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12. Fixed asset investments

	2010	2009
	£'000	£'000
a. Programme related investments	10,659	14,326
b. UK and overseas investments at market value	<u>59,702</u>	<u>47,086</u>
	<u>70,361</u>	<u>61,412</u>

a. Programme related investments

Loan to IBSA

These investments comprise monies advanced as a loan to a connected charity, IBSA, to assist in the purchase of buildings, thus helping IBSA in achieving its objective of the provision of facilities for the printing and distribution of Bibles and Bible based literature and the housing of the volunteers engaged in this activity. The trustees have made no interest charge to IBSA on the loan, on the basis that both charities have similar objects.

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.

	Loan to IBSA	Congregation loans	Total
	£'000	£'000	£'000
At 1 September 2009	10,869	3,457	14,326
Advanced	-	2,219	2,219
Repaid	<u>(4,744)</u>	<u>(1,142)</u>	<u>(5,886)</u>
At 31 August 2010	<u>6,125</u>	<u>4,534</u>	<u>10,659</u>

b. UK and overseas investments at market value:

Total market values of investment assets held at 31 August 2010 are analysed as follows:

	Cash and liquid assets	Listed investments	Unlisted investments	Total
	£'000	£'000	£'000	£'000
Investment assets in the UK	11,000	-	-	11,000
Investment assets outside the UK	<u>8,684</u>	<u>29,474</u>	<u>10,544</u>	<u>48,702</u>
Market value at 31 August 2010	<u>19,684</u>	<u>29,474</u>	<u>10,544</u>	<u>59,702</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.

Movements on investment assets were as follows:

	£'000
Market value at 1 st September 2009	47,086
Additions	26,805
Disposals	(16,444)
Net gain on revaluation	<u>2,255</u>
At 31 st August 2010	<u>59,702</u>

13. Stocks

	2010	2009
	£'000	£'000
Bibles and other literature	1,020	888
Raw materials	100	118
Motor vehicle spares and consumables	<u>28</u>	<u>18</u>
	<u>1,148</u>	<u>1,024</u>

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14. Debtors: amounts falling due within one year

	2010	2009
	£'000	£'000
Trade debtors	1,206	281
Other debtors	677	1,062
Prepayments and accrued income	<u>102</u>	<u>113</u>
	<u><u>1,985</u></u>	<u><u>1,456</u></u>

15. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
		(as restated)
Trade creditors	2,184	57
Other creditors	343	339
Deposits- due within 1 year (note 16)	2,916	2,908
Accrued expenses	<u>11</u>	<u>11</u>
	<u><u>5,454</u></u>	<u><u>3,315</u></u>

16. Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
		(as restated)
Deposits- due between 1 and 5 years	29,160	29,079
Less- 10% transferred to short term creditors	<u>(2,916)</u>	<u>(2,908)</u>
	<u><u>26,244</u></u>	<u><u>26,171</u></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 loans 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.

In the 4 months post year end, a total of £1.2 million has been requested back, and an additional £3 million has been deposited.

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17. Provisions for liabilities and charges and contingent liabilities

Conditional donations

	£'000
Provision at 1 September 2009	860
Provision on new conditional donations received	349
Provision released on conditional donations converted into donations	(57)
Provision released on conditional donations repaid	(4)
	<u>1,148</u>
Provision at 31 August 2010	<u>1,148</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. £8,000 was requested back in 2010 (2009: £37,500). The remaining £1.1million is a contingent liability.

18. Movement in funds

	At 1.9.09 £'000	Net movement in funds £'000	At 31.8.10 £'000
Unrestricted funds			
General fund	35,539	1,090	36,629
Restricted funds			
Travelling Overseers Assistance Arrangement	693	162	855
Kingdom Hall Assistance Arrangement	4,427	278	4,705
The Society Kingdom Hall Fund	6,728	1,059	7,787
Relief Fund	138	50	188
Missionary Convention Travel	238	(238)	-
	<u>12,224</u>	<u>1,311</u>	<u>13,535</u>
Total funds	<u>47,763</u>	<u>2,401</u>	<u>50,164</u>

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

	Incoming resources £'000	Resources expended £'000	Gains and losses £'000	Transfers £'000	Movement in funds £'000
Unrestricted funds					
General fund	22,438	(23,155)	1,569	238	1,090
Restricted funds					
Travelling Overseers Assistance Arrangement	355	(193)	-	-	162
Kingdom Hall Assistance Arrangement	393	(115)	-	-	278
The Society Kingdom Hall Fund	1,170	(111)	-	-	1,059
Relief Fund	82	(32)	-	-	50
Missionary Convention Travel	-	-	-	(238)	(238)
	<u>2,000</u>	<u>(451)</u>	<u>-</u>	<u>(238)</u>	<u>1,311</u>
Total funds	<u>24,438</u>	<u>(23,606)</u>	<u>1,569</u>	<u>-</u>	<u>2,401</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.

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Kingdom Hall Assistance Arrangement

The Kingdom Hall upkeep and 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 £4.7 million.

The Society Kingdom Hall Fund

The Society Kingdom Hall fund was set up to provide monies to assist with the purchase of places of worship.

Relief Fund

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

Missionary Convention Travel

This fund was set up to assist missionaries and others serving in foreign lands to travel to conventions that were held in 2009. All donations to this fund were made on the understanding that any excess remaining in the fund once all expenses had been cared for may be transferred to the "Worldwide work"- the unrestricted funds of the charity. As all costs had been cared for prior to the start of this financial year, the fund has been closed down and the balance held transferred to unrestricted reserves.

19. Related parties

The charity has close connections with IBSA, which provides accommodation for volunteers of Watch Tower and is a registered charity with similar objects. IBSA also has the same registered office as that of Watch Tower.

During the year, IBSA purchased literature from Watch Tower amounting to £11,340,917 (2009:£8,037,143). At the year end, IBSA owed Watch Tower £1,204,150 (2009: £271,541), being the invoice for August 2010. Post year end, it was discovered that Watch Tower had overcharged IBSA for literature by approximately £1.4 million over the past two years. A creditor of this amount has been provided for in the current year.

As an integral part of the charitable activities of IBSA, it allowed Watch Tower to use IBSA's fixed assets and supplied volunteer workers to enable Watch Tower to carry out its charitable activities. All services were provided at cost. During the year, IBSA charged Watch Tower £4,330,053 (2009:£4,176,521) for these services. At the year end, Watch Tower owed IBSA £391,556 (2009:£nil) in respect of the above transactions.

During the prior year, IBSA carried out work on a property on behalf of Watch Tower, with costs amounting to £141,526. The costs were paid in full by Watch Tower to IBSA. No balance was outstanding at the year end in respect of this transaction.

IBSA also has a beneficial loan from Watch Tower to assist it in achieving its objectives. At the year end the balance stood at £6,125,000 (2009:£10,869,474). This loan is on an interest free basis, with no pay back date. The interest that would be due under normal, commercial rates has been estimated at £400,000 (2009: £400,000).

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20. Reconciliation of net incoming resources to net cash inflow from operating activities

	2010	2009
	£'000	£'000
Net incoming resources	832	3,367
Currency translation gains relating to investments	(687)	(1,629)
Depreciation charges	769	858
Loss on disposal of fixed assets	10	49
Fixed assets donated to cooperating societies at net book value	33	-
Interest received	(735)	(1,239)
Interest paid	-	89
(Increase)/Decrease in stocks	(124)	(42)
(Increase)/Decrease in debtors	(529)	(526)
(Decrease)/Increase in creditors	2,139	(367)
Movement in short term creditors provision	(8)	-
Increase in provisions	(288)	(40)
Donations received in the form of fixed assets	-	(2)
Other non-cash donations received	(240)	(221)
Expenses paid from fixed asset investments rather than cash	358	61
Decrease in interest accrual related to investment assets	(12)	(56)
Conditional donations advanced	643	252
Conditional donations repaid	(8)	(38)
Net cash (outflow)/inflow from operating activities	<u>2,153</u>	<u>516</u>

21. Analysis of cash flows for headings netted in the cash flow statement

	2010	2009
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	<u>29</u>	<u>121</u>
Net cash inflow for returns on investments and servicing of finance	<u>29</u>	<u>121</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(322)	(309)
Transferred to long term investments	(10,000)	(6,000)
Programme related investments advanced- congregations	(2,220)	(1,237)
IBSA	-	(2,699)
Programme related investments repaid	5,787	1,006
Sale of tangible fixed assets	<u>1</u>	<u>112</u>
Net cash inflow/(outflow) for capital expenditure and financial investment	<u>(6,754)</u>	<u>(9,127)</u>
Management of liquid resources		
Cash inflows from the disposal or redemption of investments	<u>-</u>	<u>3,845</u>
Net cash inflow for returns on investments and servicing of finance	<u>-</u>	<u>3,845</u>
Financing		
Loans advanced by depositors	4,095	11,055
Loans repaid to depositors on demand	<u>(3,733)</u>	<u>(3,473)</u>
Net cash inflow for financing	<u>362</u>	<u>7,582</u>

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22. Analysis of changes in net debt

	At 1.9.09 £'000	Cash flow £'000	Other changes £'000	At 31.8.10 £'000
Net cash:				
Cash at bank	8,781	(4,210)	-	4,571
Financing:				
Debts falling due within one year	(2,908)	-	(8)	(2,916)
Debts falling due after one year	(26,171)	(362)	289	(26,244)
	<u>(20,298)</u>	<u>(4,572)</u>	<u>281</u>	<u>24,589</u>

23. 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.

24. Prior year adjustment

Long term creditors

The charity has adopted a policy of showing a proportion of funds on deposit as current liabilities, this being the amount that is expected to be repaid in the course of the next financial year (see note 16). This policy has also been applied to the prior year. There is no change to the surplus for the year due to this policy being applied.