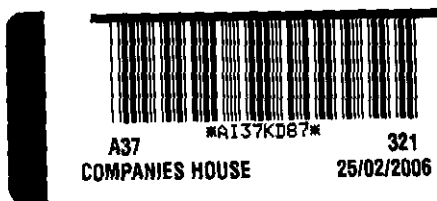


# INTERNATIONAL BIBLE STUDENTS ASSOCIATION

ANNUAL REPORT AND ACCOUNTS 2005



COMPANY NO. 136726

REGISTERED CHARITY NO. 216647

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## Charity Information

TRUSTEES	S A Hardy J S Andrews J D Dutton
SECRETARY	S D Smith
REGISTERED OFFICE	IBSA House THE Ridgeway London NW7 1RN
REGISTERED NUMBER	136726 (Company registered in England and Wales)
INCORPORATION	The Association was incorporated on the 30th June 1914 and is governed by the Memorandum and Articles of Association of that date as amended by special resolutions on 20th April 1951, 10th January 1958 and 28th November 2005.
AUDITORS	Calcutt Matthews 2nd Floor Cardine House 30 North Street Ashford Kent TN24 8JR
PRINCIPAL BANKERS	Barclays Bank plc PO Box 12820 London N20 0WE
INVESTMENT ADVISORS	Merrill Lynch 2 King Edward Street London EC1A 1HQ

## Trustees' Report

The Board of Trustees present their report and the financial statements of the Association for the year ended 31st August 2005. The financial statements have been prepared in accordance with current statutory requirements and the charity's Memorandum and Articles of Association and the Statement of Recommended Practice 2005 – Accounting and Reporting by Charities.

### Constitution

As stated on page one the charity was originally constituted as an unlimited company on 30th June 1914. On 28th November 2005 the charity enacted approvals from the Charity Commission to update its objects and with Companies House to change its status to a company limited by guarantee.

### Objects and Activities

The object of the Association is to promote the Christian religion by supporting congregations of Jehovah's Witnesses and others in connection with their spiritual and material welfare in Britain and abroad within the charitable purposes of the Association. This is achieved mainly by 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. In addition, religious literature is purchased and distributed free of charge. Conventions for Christian education are arranged on an annual basis.

Our grant making policy is as follows. From time to time we are asked by the Governing Body of Jehovah's Witnesses to consider helping Jehovah's Witnesses in countries where a need exists. We first consider whether the budget permits. If this is the case we satisfy ourselves that the expenditure will further the religious work of Jehovah's Witnesses and we then send the money to the organization caring for Jehovah's Witnesses in that country. Finally, we obtain reports to confirm the money was properly used.

### Governance

The three Trustees of the Association also have key managerial roles at the charity's headquarters. They meet at least four times each year and are in regular contact from day to day. Trustees are elected annually by a simple majority of the members present at the AGM.

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. Training is arranged as part of the meetings of the Trustees when the charity's policies are discussed. This is supplemented by an annual training session provided by the auditors.

The Trustees have recognised the need to update the Association's Memorandum and Articles of Association, which have remained substantially unchanged since formation in 1914. After approval by the Charity Commission the revised governing document will then be registered with Companies House.

### Internal Controls

These controls ensure that the monthly financial reports accurately represent all transactions, provide reasonable assurance that finances are being used for their intended purpose, verify that proper controls and procedures are in place and adhered to, so that the figures are recorded accurately and accounts are in balance. The internal audit programme has been achieved. The internal auditor (who is a certified accountant) and his assistant, both drawn from the volunteer workforce, have a set agenda to pursue through the year and reported again in writing to the Trustees in October 2005. Approved recommendations were implemented.

### Reserves Policy

The Association has a reliable donation base, being primarily the 1,500 congregations of Jehovah's Witnesses in the UK. Hence, we can plan confidently with relatively small reserves, having in mind that we charge Watch Tower Society for the cost of running the HQ complex and we respond to the needs for funds overseas only after filling our domestic requirements. Our established policy is to ensure that we have on hand in liquid funds at least three months' working expenditure. At the year end, liquid assets on hand equate to 4.8 months of expenditure (2004: 5.4 months).

### Investment Policy

In harmony with paragraph 3(J) of the Memorandum of the Association, which gives power to invest any monies of the Association not for the time being required for its objects in such investments as may be thought proper and of varying any such investments, funds are invested with several major financial institutions and in harmony with our Christian principles. The bulk of investments currently held are donated/bequeathed FTSE100 stocks. Our benchmark is to manage these stocks in order to outperform the FTSE100 index. This has been achieved in the year.

## Trustees' Report (cont...)

### **Relationship with connected charities**

The Association works closely with Watch Tower Bible and Tract Society of Britain. It provides volunteers for Watch Tower Society to use in its activities. It permits Watch Tower Society to use its facilities for the Society's charitable work and provides accommodation for the volunteers. A service and maintenance charge is made which includes the cost of the volunteers. The Association purchases religious material from the Society and donates this to congregations of Jehovah's Witnesses.

### **Risk Assessment**

The major risks to which the charity is exposed have been formally reviewed, with particular focus on events that would seriously impede the operations of the charity. Strategies and safeguards are in place to reduce, as far as possible, the impact of those risks. The risk register has been reviewed by the Trustees and in view of the added facilities constructed and in course of completion there is a need to plan further safeguards.

### **Review of the Year and Financial Position**

The financial results of the year's activities are shown on page 6. This includes expenditure for the purchase of Bibles and Bible study aids from Watch Tower Society of Britain, these being distributed free of charge to congregations of Jehovah's Witnesses and thence to the public in general. We are pleased to note that Jehovah's Witnesses in the UK spent almost 18 million hours in the year under review working in their communities, helping people morally and spiritually. We are gratified that the literature we provided has thereby been put to good use.

Bibles and religious literature on a substantial scale continue to be made available to the public without charge. Free weekly meetings, to which the public are invited, were held in the 1,500 congregations of Jehovah's Witnesses in Britain. In addition, our annual nationwide conventions, held at convenient locations and which the public are encouraged to attend, were a notable success once again this year. We are satisfied that the convention programme, which offered practical advice on law-abiding citizenship and targeted workable family values for modern living and advised Christian tolerance in a multicultural society, would have had a broad cross-community appeal.

*During the year, using a volunteer team, we completed the refurbishment of our original HQ building, Watch Tower House, and commenced the enhancement of facilities to care for sick and elderly Jehovah's Witnesses who have been full-time volunteers for us. The new warehouse at Borehamwood was customised and equipped by a volunteer team and came into full use in October 2005, providing facilities for our laundry and for Watch Tower Society's literature packing and despatch departments. A new block of flats was completed and occupied by January 2005. As a result, Watch Tower Society now has adequate working space in IBSA's premises and accommodation needs are well cared for.*

During the year, Watch Tower Society was able to make an interest-free loan to the Association in the sum of £3.5 million. This enabled the Association to reduce the loan obtained from the bank commensurately, thereby saving finance costs.

We register our appreciation for the fine unpaid efforts put forth by our volunteers and for the consistent support of congregations of Jehovah's Witnesses. All of this is enabling us to fulfil our stated purpose to advance the Christian religion for the betterment of humankind.

### **Future Plans**

*We will have completed our projected construction programme by early 2006. We believe we are now well placed to provide for the needs as far as we can foresee. Hence, we do not have further capital commitments in mind at present.*

## Trustees' Report (cont...)

### Statement of Trustees' Responsibilities

Charity law requires the Trustees to prepare financial statements for each financial year, which give true and fair view of the state of affairs of the charity and the profit and loss of the charity for that period. In preparing those financial statements the Trustees are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies' Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities.

### Auditors

The auditors, Calcutt Matthews, Chartered Accountants, will be proposed for reappointment in accordance with Section 385 of the Companies' Act 1985.

### ON BEHALF OF THE TRUSTEES:

  
.....  
- J D Dutton

Dated: 12 January 2006

## Report of the Independent Auditors

We have audited the financial statements of IBSA for the year ended 31st August 2005, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the IBSA and the independent auditors**

The trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and the United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for the audit.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read other information contained in the Trustees' Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis for opinion**

We conduct our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31 August 2005 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993 and Companies Act 1985.



Calcutt Matthews  
2nd Floor Cardine House  
30 North Street  
Ashford

Kent  
TN24 8JR Dated 12 January 2006

## Statement Of Financial Activities

		2005	2004 As restated
<b>Incoming Resources</b>	<b>Notes</b>	<b>£000</b>	<b>£000</b>
Donations		8,339	7,547
Legacies		801	1,192
Charges for residential provision for use of a connected charity		3,565	3,206
Interest and dividends receivable		220	189
<b>Total Incoming Resources</b>		<b>12,925</b>	<b>12,134</b>
<b>Resources Expended</b>			
<i>Cost of activities in furtherance of charity's objectives</i>			
Cost of literature		6,082	6,801
Cost of Conventions		237	480
Donations Made	3	3,087	1,355
Cost of residential provision		3,381	3,245
Management and Administration		219	301
<b>Total Resources Expended</b>	<b>4</b>	<b>13,006</b>	<b>12,182</b>
<b>Net (Outgoing) Resources</b>		<b>(81)</b>	<b>(48)</b>
Net gains on investments and intangibles		602	74
<b>Net Movement In Unrestricted Funds</b>		<b>521</b>	<b>26</b>
Unrestricted fund balances brought forward at 1st September 2004 as previously stated		45,559	43,264
Prior year adjustment	15	(2,269)	-
<i>Unrestricted fund balances brought forward at 1st September 2004 as restated</i>		43,290	43,264
Net movement in Unrestricted funds		521	26
<b>Unrestricted fund balances carried forward at 31st August 2005</b>		<b>43,811</b>	<b>43,290</b>

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 comprises the net incoming resources for the year together with the net realised gains on investments £153,000 (2004: £36,000)

All funds are unrestricted.



## Balance Sheet

		2005		2004 As restated	
Fixed Assets	Notes	£000	£000	£000	£000
Tangible assets	5		58,128		56,899
<b>Current Assets</b>					
Stocks		159		138	
Debtors	6	1,025		1,034	
Investments	7	3,363		4,048	
Cash at bank and in hand		1,761		1,330	
		<u>6,308</u>		<u>6,550</u>	
<b>Creditors</b>					
Amounts falling due within one year	8	806		1,020	
<b>Net Current Assets</b>			<u>5,502</u>		<u>5,530</u>
<b>Total Assets Less Current Liabilities</b>			63,630		62,429
<b>Creditors</b>					
Amounts falling due after more than one year	9		19,819		19,139
<b>Net Assets</b>			<u>43,811</u>		<u>43,290</u>
<b>Funds</b>					
Unrestricted funds			<u>43,811</u>		<u>43,290</u>

These financial statements on pages 6 to 13 were approved by the trustees on 12 January 2006 and signed on their behalf by:



J D Dutton



J S Andrews

## Cash Flow Statement

		2005	2004
	Notes	£000	£000
Net cash inflow from operating activities	12	1,396	750
Capital expenditure & financial investment	13	(1,650)	1,197
<b>Increase / (Decrease) in cash in the period</b>		<b>(254)</b>	<b>1,947</b>
<b>Reconciliation Of Net Cash Flow To Movement In Net Funds</b>			
Increase / (Decrease) in cash in the period	14	(254)	1,947
Cash inflow / (outflow) from decrease in liquid resources		685	(2,088)
<i>Change in net funds resulting from cash flows</i>			
<b>Movement In Net Funds In The Period</b>		<b>431</b>	<b>(141)</b>
Net Funds At 1st September 2004		1,330	1,471
<b>Net Funds At 31st August 2005</b>		<b>1,761</b>	<b>1,330</b>

# Notes to the Financial Statements

## 1. Accounting Policies

### Accounting Convention

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000, the Companies Act 1985 and applicable accounting standards.

### Fund Accounting

The charity has only general funds. General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

### Incoming Resources

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. Charges for residential provision and other facilities for the activities of a connected charity are made to Watch Tower Bible and Tract Society of Britain on a cost basis in line with the charity's objects. Entitlement to legacies is the earlier of the charity being notified of an impending distribution or the legacy being received.

### Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under the headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they all have been allocated to activities on a basis consistent with the use of the resources. Costs of residential provision and other facilities for the activities of a connected charity comprise the costs of providing, maintaining accommodation and associated support costs for the purpose of the charge referred to in the incoming resources policy above. Management and administration costs comprise depreciation on overseas properties and audit fees. All other administrative costs are re-charged.

Our grant making policy (donations) 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 consider whether the budget permits. If this is the case the charity satisfies itself that the expenditure will further the religious work of Jehovah's Witnesses and the charity then send the money to the organization caring for Jehovah's Witnesses in that country. Finally, the charity obtain reports to confirm the money was properly used.

### Tangible Fixed Assets

All expenditure on computers and all other items individually with a cost of £1,000 or more are capitalised. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold Land	- Nil
Freehold Buildings	- 50 years straight line
Plant and machinery	- 3-10 years straight line
Motor vehicles	- 4 years reducing balance

### Stocks

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

### Connected Charities

Transactions are on an arms length and accruals basis. Note 10 sets out the relationship with Watch Tower Bible and Tract Society of Britain. Most countries have a branch office of Jehovah's Witnesses.

## 2. Personnel

The Association has no employees but engages only volunteers, providing them with free board, lodging and an allowance for personal and other expenses.

	2005	2004
The average number of volunteers in the year amounted to:	599	579

## Notes to the Financial Statements

### 3. Donations Made

	2005	2004
	£000	£000
Analysis by Purpose		
Money and goods	1,140	1,355
Donation of property	1,947	-
	3,087	1,355
Analysis by Geography		
Europe	425	514
Africa	2,391	456
Asia	271	385
	3,087	1,355

All cash donations overseas were applied for the benefit of the work of Jehovah's Witnesses for countries in need and in line with the objects of the Association.

During the year, property held by the Association in Ghana and Kenya was donated to the Branch Offices of Jehovah's Witnesses in those lands.

### 4. Analysis Of Total Resources Expended

	Other costs	Depreciation	Total	2004
	£000	£000	£000	£000
Cost of literature	6,082	-	6,082	6,801
Cost of conventions	237	-	237	480
Donations Made	3,087	-	3,087	1,355
Cost of residential provision	2,493	888	3,381	3,245
Management & administration	-	219	219	301
	11,899	1,107	13,006	12,182

The Association does not have staff costs. All personnel are volunteers. Allowances payable to volunteers amounted to £1,260 (2004: £1,260) per volunteer. In total £1,445 was paid to volunteers who are away with ill health.

#### Total resources expended includes the following:

	2005	2004
	£000	£000
Depreciation		
Deficit / (Surplus) on disposals of assets	1,107	1,058
External auditors remuneration	(6)	(8)
	8	6
	1,109	1,056

## Notes to the Financial Statements

<b>5. Tangible Fixed Assets</b>	<b>Land &amp; Buildings</b>	<b>Plant and Machinery</b>	<b>Motor Vehicles</b>	<b>Total</b>
	<b>As restated £000</b>	<b>£000</b>	<b>£000</b>	<b>As restated £000</b>
<b>Cost:</b>				
At 1st September 2004	63,003	1,057	489	64,549
Additions	4,042	228	40	4,310
Disposals	(2,160)	(33)	(45)	(2,238)
<b>At 31 August 2005</b>	<b>64,885</b>	<b>1,252</b>	<b>484</b>	<b>66,621</b>
<b>Depreciation:</b>				
At 1st September 2004	6,796	685	169	7,650
Charge for the year	987	62	58	1,107
Eliminated	(213)	(27)	(24)	(264)
<b>At 31st March 2005</b>	<b>7,570</b>	<b>720</b>	<b>203</b>	<b>8,493</b>
<b>Net Book Value:</b>				
At 31st August 2005	57,315	532	281	58,128
At 31st August 2004	56,207	372	320	56,899

A prior year adjustment was made to Land and Buildings to correct the incorrect valuation of overseas property (see note 15)

### 6. Debtors: Amounts Falling Due Within One Year

	<b>2005 £000</b>	<b>2004 £000</b>
Trade debtors	1	2
Other debtors	509	247
Due from connected charity	515	785
<b>Total</b>	<b>1,025</b>	<b>1,034</b>

### 7. Current Asset Investments

	<b>2005 £000</b>	<b>2004 £000</b>
<b>Market Value at 1st September 2004</b>	<b>4,048</b>	<b>1,961</b>
Additions	3,203	2,612
Disposal proceeds	(4,490)	(599)
Net investment gains	602	74
<b>Market Value at 31st August 2005</b>	<b>3,363</b>	<b>4,048</b>
<b>Historical Cost at 31st August 2005</b>	<b>3,149</b>	<b>2,663</b>
The investments at market value comprise:		
UK equities	3,363	2,480
Cash and Settlements	-	1,568
<b>Total Market Value</b>	<b>3,363</b>	<b>4,048</b>

## Notes to the Financial Statements

<b>8. Creditors: Amounts Falling Due Within One Year</b>	<b>2005</b> £000	<b>2004</b> £000
Trade Creditors	77	273
Due to connected charity	590	681
Other Creditors	122	66
Social Security and Other Taxes	17	-
	<hr/>	<hr/>
Total creditors falling due within one year	806	1,020

<b>9. Creditors: Amounts Falling Due After More Than One Year</b>	<b>2005</b> £000	<b>2004</b> £000
Due to connected charity*	16,968	13,468
Loan from Merrill Lynch	2,851	5,671
	<hr/>	<hr/>
Total creditors falling due after more than one year	19,819	19,139

\* The connected charity is Watch tower. The loan from Watch Tower is secured by promissory notes and is interest free. The loan from Merrill Lynch is secured by a cross guarantee from the investments held by Watch Tower.

### 10. Transactions With Trustees And Connected Parties

The trustees confirm that they have not been involved with any transactions of the charity. The Association has close connections with Watch Tower Bible & Tract Society of Britain, referred to as "Watch Tower", which prints Bible based literature and which is a registered charity with similar objects. This charity also has the same registered office as that of the Association.

### 11. Trustees

The trustees of IBSA receive no payments or reimbursements in their capacity as trustees. The trustees are also volunteer workers at the Association's premises, they receive personal expense allowances of £80 per month and a personal expense gift of £300 per year with free board and lodging as indeed do all volunteers. These expenses are paid by the Watch Tower Bible and Tract Society of Britain (charity registration number 1077961) a connected charity as explained in note 10 above.

<b>12. Reconciliation Of Changes In Resources To Net Inflow From Operating Activities</b>	<b>2005</b> £000	<b>2004</b> £000
Net incoming resources and investment gains	285	26
Decrease / (Increase) in Stocks	(20)	(10)
Decrease / (Increase) in Debtors	275	(763)
(Decrease) / Increase in Creditors	(245)	431
(Profit) / Loss on disposal of tangible fixed assets	(5)	8
Depreciation	1,107	1,058
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>1,396</b>	<b>750</b>

## Notes to the Financial Statements

### 13. Analysis Of Cash Flow From Capital Expenditure In The Cash Flow Statement

	2005 £000	2004 £000
<b>Capital Expenditure And Financial Investment:</b>		
Loans repaid	(2,820)	-
Loan Advances	3,500	9,702
Purchase Of Tangible Fixed Assets	(4,310)	(8,609)
Proceeds from sale Of Tangible Fixed Assets	1,980	104
	(1,650)	1,197

### 14. Analysis Of Change In Net Funds

	1st September 2004 £000	Cash Flow £000	31st August 2005 £000
<b>Net Cash:</b>			
Cash At Bank And In Hand	1,330	431	1,761
<b>Liquid Resources:</b>			
Current Asset Investments	4,048	(685)	3,363
<b>Total</b>	5,378	(254)	5,124

### 15. Prior Year Adjustment

During the year the charity became aware that property held in Barbados had been originally valued in US dollars where it should have been valued in Barbadian dollars. The effect of the change is incorporated in note 5.

	Barbados £000	Other properties £000	Land & Buildings £000
Original cost 1st September 2004	4,437	60,835	65,272
Restatement	(2,269)	-	(2,269)
<b>At 31st August 2005</b>	<b>2,168</b>	<b>60,835</b>	<b>63,003</b>

### 16. Post Balance Sheet Events

(i) On 28th November 2005 the charity enacted approvals for the Registrar of Companies House to change its status as an unlimited company to a company limited by guarantee and from the Charity Commission to update its objects.

(ii) On 14th December 2005 the charity received notification from Customs & Excise that it would repay £266,000 of VAT suffered on the costs of holding conventions. This amount has been recognised in these financial Statements.