

# INTERNATIONAL BIBLE STUDENTS ASSOCIATION

ANNUAL REPORT AND ACCOUNTS 2006



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 (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	Barclay's Bank plc PO Box 12820 London BX3 2BB
INVESTMENT ADVISERS	Merrill Lynch International Bank Ltd 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 2006. 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 who held office during the year, and at the date of this report, are set out on page 1. These trustees 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 had remained substantially unchanged since formation in 1914. After approval by the Charity Commission the revised governing document was 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 and 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 2006. Approved recommendations were implemented.

### Reserves policy

The Association has free reserves of approximately £6million.

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 7.0 months of expenditure (2005: 4.8 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.

### Principal achievements for the year

#### Provision of literature for Bible education

A key achievement this year was the widespread distribution of the new Bible study aid "What Does the Bible Really Teach?" The Association purchased over 900,000 copies from Watch Tower Society of Britain, and distributed these free of charge to the 1500 congregations of Jehovah's Witnesses in the UK. They in turn enthusiastically made use of them in their public Bible teaching work in the community, and the total number of individuals and families receiving regular tuition was 49,849 by the end of the year. Some of those receiving this tuition responded to the opportunity of gaining further instruction at the local Kingdom Hall of Jehovah's Witnesses, and meetings held for public religious worship continue to be well attended.

#### Conventions for Bible education

A highlight each summer is the nationwide conventions for instruction in practical Christianity, and a special effort was made this year to invite members of the public, by distributing printed invitations in every congregation area. Many responded, and the total attendance was 152,306.

#### Enhanced facilities and overseas aid

At our headquarters complex, we were able to complete an enlarged facility to care for sick and elderly Jehovah's Witnesses who have been full-time volunteers with us. We then saw the need to upgrade the original facility also, and this work was completed in September. The other major project was the provision of a second dining room for the use of volunteers, serving at the offices of the Association.

We were able to respond to requests from the Governing Body of Jehovah's Witnesses, to provide support for the activities of Jehovah's Witnesses in lands where the economy is poor, the total being £1,438,000.00.

### Future Plans

We 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.

Following the completion of major building projects, our volunteer needs are reduced, and we are able to sell some of our residential properties. We will be reviewing our property needs, with the purpose of consolidating the support services we provide for the volunteers engaged in the activities of both ourselves and our connected charity, Watch Tower Society of Britain. We understand that Watch Tower Society of Britain will be taking on extra work to further its objectives and will need us to provide facilities for that. Also, we hope to have a greater share in funding the activities of Jehovah's Witnesses in developing countries.

### Review of financial position

We have enjoyed excellent financial support from Jehovah's Witnesses. At the same time, our capital expenditure has reduced considerably compared with recent years, because our major building projects have concluded. This has resulted in our having net incoming resources for the year in the region of £2.57 million. The Governing Body of Jehovah's Witnesses is aware of our good financial position, and will doubtless be alerting us to needs in other parts of the world. We will be happy to respond, so long as the requests are in line with the objects of the Association.

## Trustees' Report (cont...)

### Trustees' responsibilities

Charity 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 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.

The Trustees are also responsible to give the Auditors all relevant information they need in connection with preparing their audit report. We confirm this has been done.

### 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

8th February 2007

# Report of the Independent Auditors to the Members of International Bible Students Association

We have audited the financial statements of IBSA for the year ended 31st August 2006, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and the auditors

*The responsibilities of the trustees (who are also directors of International Bible Students Association for the purposes of company law) for preparing the Trustees' 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.*

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' 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, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read the Trustees' Report, and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 August 2006 and of its incoming resources including its application of resources, including income and expenditure, in the year then ended and;

the financial statements have been properly prepared in accordance with the Companies Act 1985.

*Calcutt Matthews*

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

Dated: 9th February 2007

# Statement Of Financial Activities

Year ended 31 August 2006

	Notes	£000	£000
<b>Incoming Resources from general funds</b>			
Donations		9,055	8,339
Legacies		941	801
<b>Activities for generating funds</b>			
Service charge income		3,898	3,565
Interest and dividends receivable		185	220
<b>Total incoming resources</b>		<b>14,079</b>	<b>12,925</b>
<b>Resources expended</b>			
<b>Charitable activities</b>			
Provision of literature for Bible education	4	5,576	6,082
Provision of conventions for Bible education	4	642	237
Donations and aid overseas	3, 4	1,438	3,297
<b>Governance costs</b>	<b>5</b>	<b>19</b>	<b>9</b>
<b>Cost of generating funds</b>		<b>3,830</b>	<b>3,381</b>
<b>Total resources expended</b>		<b>11,505</b>	<b>13,006</b>
<b>Net incoming / (outgoing) resources</b>		<b>2,574</b>	<b>(81)</b>
<b>Other recognised gains and losses</b>			
Net gains on investments and intangibles		924	602
<b>Net movement in funds</b>		<b>3,498</b>	<b>521</b>
Fund balances brought forward		43,811	45,559
Prior year adjustment	16	-	(2,269)
<b>Fund balances carried forward</b>		<b>47,309</b>	<b>43,811</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 realised gains on investments of £3,307,690 (2005: £152,621).



# Balance Sheet

As at 31 August 2006

	Notes	2006	2005
		£000	£000
<b>Fixed Assets</b>			
Tangible assets	6	59,673	58,129
<b>Current Assets</b>			
Stocks		147	159
Debtors	7	661	1,025
Investments	8	4,922	3,363
Cash at bank and in hand		1,796	1,761
		7,526	6,308
<b>Creditors</b>			
Amounts falling due within one year	9	740	807
<b>Net Current Assets</b>		<b>6,786</b>	<b>5,501</b>
<b>Total Assets Less Current Liabilities</b>		<b>66,459</b>	<b>63,630</b>
<b>Creditors</b>			
Amounts falling due after more than one year	10	19,150	19,819
<b>Net Assets</b>		<b>47,309</b>	<b>43,811</b>
<b>Funds</b>			
Unrestricted funds		47,309	43,811

These financial statements on pages 6 to 13 were approved by the trustees on 8th February 2007 and signed on their behalf by:

  
J D Dutton

  
J S Andrews

# Cash Flow Statement

Year ended 31 August 2006

		2006	2005
	Notes	£000	£000
Net cash inflow from operating activities	13	4,081	1,396
Capital expenditure & financial investment	14	(3,346)	(1,650)
<b>Increase / (Decrease) in cash in the period</b>		<b>735</b>	<b>(254)</b>
<b>Reconciliation Of Net Cash Flow To Movement In Net Funds</b>			
Increase / (Decrease) in cash in the period		735	(254)
Cash (outflow)/inflow from decrease in liquid resources		(700)	685
<b>Movement In Net Funds In The Period</b>		<b>35</b>	<b>431</b>
Net Funds At 1st September 2005		1,761	1,330
<b>Net Funds At 31st August 2006</b>		<b>1,796</b>	<b>1,761</b>

# Notes to the Financial Statements

Year Ended 31 August 2006

## 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 2005, 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. Service charge income is received from 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 generating funds comprises the costs of providing and maintaining accommodation and associated support costs for the purpose of the charge referred to in the incoming resources policy above. Governance costs comprise external audit fees and other fees from Consultants. 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.

Support cost are allocated to the relevant cost area as explained in the notes to the accounts.

### 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.

	2006	2005
The average number of volunteers in the year amounted to:	587	599

# Notes to the Financial Statements

Year Ended 31 August 2006

## 3. Donations Made

	2006	2005
	£000	£000
Analysis by Purpose		
Money and goods	1,076	1,140
Donation of property	362	2,157
	1,438	3,297
Analysis by Geography		
Caribbean	44	30
Europe	288	425
Africa	622	2,571
Asia	484	271
	1,438	3,297

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 Uganda was donated to the Branch Offices of Jehovah's Witnesses in Uganda.

## 4. Charitable activities

Before the adoption of SORP 2005, the Association included the depreciation charge on overseas properties as 'Management and administration' costs. These are now treated as 'Aid overseas'.

The Association does not have any support costs. It receives support services from a connected charity - Watch Tower (see note 1).

	2006	2005
	£000	£000
<b>5. Governance costs</b>		
External audit	9	8
Other professional fees	10	1

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# Notes to the Financial Statements

Year Ended 31 August 2006

## 6. Tangible Fixed Assets

	Land & Buildings	Plant and Machinery	Motor Vehicles	Total
	£000	£000	£000	£000
<b>Cost:</b>				
At 1st September 2005	64,885	1,252	484	66,621
Additions	2,770	36	21	2,827
Disposals	(144)	(230)	(49)	(423)
<b>At 31 August 2006</b>	<b>67,511</b>	<b>1,058</b>	<b>456</b>	<b>69,025</b>
<b>Depreciation:</b>				
At 1st September 2005	7,570	720	203	8,493
Charge for the year	993	62	57	1,112
Eliminated on disposals	(13)	(201)	(39)	(253)
<b>At 31st August 2006</b>	<b>8,550</b>	<b>581</b>	<b>221</b>	<b>9,352</b>
<b>Net Book Value:</b>				
At 31st August 2006	58,961	477	235	59,673
At 31st August 2005	57,315	532	281	58,128

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

	2006 £000	2005 £000
Trade debtors	2	1
Other debtors	141	509
Due from connected charity	518	515
<b>Total</b>	<b>661</b>	<b>1,025</b>

## 8. Current Asset Investments

	2006 £000	2005 £000
<b>Market Value at 1st September 2005</b>	<b>3,363</b>	<b>4,048</b>
Additions	11,076	3,203
Disposal proceeds	(10,441)	(4,490)
Net investment gains	924	602
<b>Market Value at 31st August 2006</b>	<b>4,922</b>	<b>3,363</b>
<b>Historical Cost at 31st August 2006</b>	<b>4,519</b>	<b>3,149</b>
The investments at market value comprise:		
UK equities	4,922	3,363
Cash and Settlements	-	-
<b>Total Market Value</b>	<b>4,922</b>	<b>3,363</b>

# Notes to the Financial Statements

Year Ended 31 August 2006

## 9. Creditors: Amounts Falling Due Within One Year

	2006 £000	2005 £000
Trade Creditors	41	77
Due to connected charity	521	590
Other Creditors	114	122
Social Security and Other Taxes	64	18
<b>Total creditors falling due within one year</b>	<b>740</b>	<b>807</b>

## 10. Creditors: Amounts Falling Due After More Than One Year

	2006 £000	2005 £000
Due to connected charity*	18,668	16,968
Loan from Merrill Lynch	482	2,851
<b>Total creditors falling due after more than one year</b>	<b>19,150</b>	<b>19,819</b>

\* 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.

## 11. 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.

## 12. 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 £82 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.

## 13. Reconciliation Of Changes In Resources To Net Inflow From Operating Activities

	2006 £000	2005 £000
Net incoming resources and investment gains	3,308	285
Decrease / (Increase) in Stocks	12	(20)
Decrease in Debtors	364	275
(Decrease) in Creditors	(735)	(245)
Loss / (Profit) on disposal of tangible fixed assets	20	(6)
Depreciation	1,112	1,107
<b>Net cash inflow from operating activities</b>	<b>4,081</b>	<b>1,396</b>

## Notes to the Financial Statements

Year Ended 31 August 2006

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

	2006 £000	2005 £000
<b>Capital Expenditure And Financial Investment:</b>		
Loans repaid	(2,369)	(2,820)
Loan Advances	1,700	3,500
Purchase Of Tangible Fixed Assets	(2,827)	(4,310)
Proceeds from sale Of Tangible Fixed Assets	150	1,980
	<b>(3,346)</b>	<b>(1,650)</b>

<b>15. Analysis Of Change In Net Funds</b>	<b>1st September 2005 £000</b>	<b>Cash Flow £000</b>	<b>31st August 2006 £000</b>
Net Cash:			
Cash At Bank And In Hand	1,761	35	1,796
Liquid Resources:			
Current Asset Investments	3,363	1,559	4,922
<b>Total</b>	<b>5,124</b>	<b>1,594</b>	<b>6,718</b>

### 16. Prior Year Adjustment

The financial statements for the year ended 31 August 2005 were restated when 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 was incorporated in note 5.