

INTERNATIONAL BIBLE STUDENTS ASSOCIATION
(an Unlimited Company)

Directors' Report and Financial Statements
for the Year Ended 31 August 2004



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Company Information

TRUSTEES:	S A Hardy J S Andrews J A Wynn (deceased 24 th December 2003) 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 30 th June 1914 and is governed by the Memorandum and Articles of that date as amended by special resolutions on 20 th April 1951 and 10 th January 1958.
AUDITORS:	Calcutt Matthews, Chartered Accountants 2 nd Floor Cardine House 30 North Street Ashford Kent TN24 8JR

Directors' Report

The Board of Trustees present their report and the financial statements of the Association for the year ended 31st August 2004. The financial statements have been prepared in accordance with current statutory requirements and the company's Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities.

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 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.

Governance

The three Trustees of the Association also have key managerial roles at the charity 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.

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 November 2003. Approved recommendations were implemented.

Reserves Policy

The Association has a reliable donation base, being primarily the 1,494 congregations of Jehovah's Witnesses in the U. K. 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 need 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 5.4 months of expenditure.

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 out perform the FTSE100 index. This has been achieved in the year.

Relationship with connected charities

The Association works closely with Watch Tower Bible and Tract Society of Britain. 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. The Association purchases religious material from the Society and donates these 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.

Directors' Report

Review of the year and financial position

During the past year we have given close consideration to the Government's proposed charity legislation with its new emphasis on the need for all charities to satisfy the 'public benefit' requirement. We have always been confident, and continue to be, that IBSA meets the public benefit criteria. Our Objects clearly intend that benefit be provided to the public and we are satisfied that our activities this year, as previously, entirely fulfil these objectives. Therefore, we do not envisage a need to adjust our objects or activities, both of which continue to be wholly charitable.

The financial results of the year's activities are shown on page 6. There was again an increase in direct charitable expenditure for the purchase of Bibles and Bible study aids from the 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 over 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 1,494 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, targeted workable family values for modern living and advised Christian tolerance in a multicultural society, would have had a broad cross-community appeal.

A major feature of our activities has been to further improve and enlarge the facilities we provide for Watch Tower Society to expand its charitable activity. During the year, we completed major enhancements of the area of our building at IBSA House, used as a printery by Watch Tower. We purchased a warehouse at Borehamwood, in order to release space at IBSA House for more printing activity, and the warehouse is now being equipped to accommodate some of our work and some of Watch Tower Society's.

It became clear that more residential accommodation was needed for the volunteers helping both us and Watch Tower Society. Therefore another block of flats was purchased, with space for almost 100 people. All of this, along with other improvements, resulted in additions to our fixed assets (page 11) to the value of £8.4 million.

To finance these requirements, a further long-term loan was provided by Watch Tower Society in the sum of £4 million, secured by promissory note. Also, a loan was obtained from a commercial source, backed by a guarantee from Watch Tower Society, and the balance outstanding on this at the end of the year was £5.67 million. There are no plans to raise further finance by loan at present.

The Service and Maintenance charge to Watch Tower Society was considerably increased, due to a programme of refurbishment, including replacement carpets, in the residential properties and working areas.

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.

Statement of Trustees' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

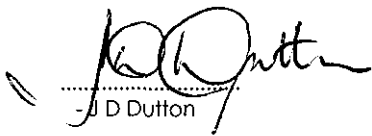
- o select suitable accounting policies and then apply them consistently;
- o make judgments and estimates that are reasonable and prudent;
- o prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

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

ON BEHALF OF THE TRUSTEES:


J D Dutton

Dated: 22nd December 2004

Auditors' Report

We have audited the financial statements of IBSA for the year ended 31st August 2004, 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 form 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 read other information contained in the Directors' 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 2004 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

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

Dated: 23rd December 2004

Statement of Financial Activities

Year Ended 31st August 2004

	Notes	2004 £	2003 £
INCOMING RESOURCES			
Donations		7,547,029	7,753,115
Legacies		1,192,411	781,742
<i>Activities in the furtherance of the charity's objectives:</i>			
Charges for residential provision and other facilities for the activities of a connected charity		3,205,928	2,594,896
<i>Investment income:</i>			
Interest and dividends receivable		188,681	92,930
TOTAL INCOMING RESOURCES		12,134,049	11,222,683
RESOURCES EXPENDED:			
Charitable expenditure:			
<i>Cost of activities in furtherance of charity's objectives:</i>			
Cost of literature		6,801,253	6,192,453
Cost of conventions		479,821	413,719
Donations made	3	1,354,865	1,306,411
Cost of residential provision and other facilities for the activities of a connected charity	4	3,245,264	2,465,642
Management & administration		300,990	300,917
TOTAL RESOURCES EXPENDED		12,182,193	10,679,142
NET (OUTGOING) / INCOMING RESOURCES		(48,144)	543,541
Net gains on investments and intangibles		73,842	75,638
NET MOVEMENT IN UNRESTRICTED FUNDS		25,698	619,179
Fund balances brought forward at 1 September 2003		45,533,221	44,914,043
UNRESTRICTED FUND BALANCES CARRIED FORWARD AT 31 AUGUST 2004		45,558,919	45,533,222

None of the charity's activities were acquired or discontinued during the current and previous years.

All gains and losses recognized 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 gains on investments.

All funds are unrestricted.

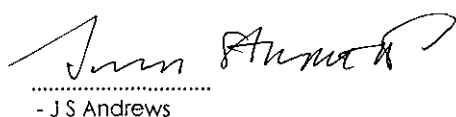
Balance Sheet

At 31 August 2004

	Notes	2004		2003	
		£	£	£	£
FIXED ASSETS		Unrestricted Funds		Unrestricted Funds	
Tangible assets	5		59,167,304		51,727,349
CURRENT ASSETS					
Stocks		138,292		127,984	
Debtors	6	1,034,199		271,681	
Investments	7	4,048,677		1,961,056	
Cash at bank and in hand		1,330,473		1,470,633	
			6,551,641		3,831,354
CREDITORS					
Amounts falling due within one year	8	1,020,013		587,832	
NET CURRENT ASSETS			5,531,628		3,243,522
TOTAL ASSETS LESS CURRENT LIABILITIES			64,698,932		54,970,871
CREDITORS					
Amount falling due after more than one year	9		19,140,013		9,437,650
NET ASSETS			45,558,919		45,533,221
FUNDS:					
Unrestricted funds			45,558,919		45,533,221

These financial statements on pages 6 to 13 were approved by the trustees on 22nd December 2004 and signed on their behalf by:


 - J D Dutton


 - J S Andrews

Cash Flow Statement Year Ended 31 August 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	12	750,754	5,840,409
Capital expenditure & financial investment	13	1,196,707	(5,653,921)
Increase / (Decrease) in cash in the period		1,947,461	186,488
Reconciliation of net cash flow to movement in net funds:			
Increase / (Decrease) in cash in the period	14	1,947,461	186,488
Cash outflow from increase in liquid resources		(2,087,621)	(185,366)
Change in net funds resulting from cash flows			
Movement in net funds in the period		(140,160)	1,122
Net funds at 1 September		1,470,633	1,469,511
Net funds at 31 August		1,330,473	1,470,633

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, a connected charity 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 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. All other administrative costs are re-charged.

Tangible fixed assets

All expenditure on computers and all other items individually with a cost of £1,000 or more is 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.

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.

	2004	2003
The average number of volunteers in the year amounted to:	579	518

Notes to the Financial Statements

3. Donations Made

	2004 £	2003 £
Donations to the Kingdom Hall Trust	-	38,000
Donations to overseas branches for Christian work*	1,354,865	1,268,411
Total donations made	1,354,865	1,306,411

*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.

4. Analysis Of Total Resources Expended

	Other costs £	Depreciation £	Total £
Cost of literature	6,801,253	-	6,801,253
Cost of conventions	479,821	-	479,821
Donations made	1,354,865	-	1,354,865
Cost of residential provision	2,488,548	756,716	3,245,264
Management & administration	-	300,990	300,990
Total resources expended	11,124,487	1,057,706	12,182,193

Total resources expended includes the following:

	2004	2003
Depreciation	1,057,706	963,345
Surplus on disposal of assets	(7,996)	17,864
External auditors remuneration	5,700	5,700

Notes to the Financial Statements

5. Tangible Fixed Assets

	Assets under Construction £	Land and Buildings £	Plant and Machinery £	Motor Vehicles £	Totals £
COST:					
At 1 September 2003	-	56,933,227	1,040,253	421,057	58,394,537
Additions	2,300,000	8,428,653	51,703	128,870	8,609,226
Disposals	-	89,421	34,984	61,410	185,815
At 31 August 2004	2,300,000	65,272,459	1,056,972	488,517	66,817,948
DEPRECIATION:					
At 1 September 2003	-	5,863,268	644,554	159,365	6,667,187
Charge for the year	-	940,168	61,747	55,791	1,057,706
Disposals	-	7,097	20,847	46,305	74,249
At 31 August 2004	-	6,796,339	685,454	168,851	7,650,644
NET BOOK VALUE:					
At 31 August 2004	2,300,000	58,476,120	371,518	319,666	59,167,304
At 31 August 2003	-	51,069,959	395,699	261,692	51,727,350

Included in land and buildings is overseas properties stated at a net book value of £14,819,873. These are functional properties, which support activities in other lands.

The assets under construction represents a block of flats at Coniston Court, London, being built by Crest Nicholson. Payments of £2,300,000 were made in the year. Final payments totaling £1,569,051 are held in an Escrow account and will be paid when the flats are ready to be occupied in January 2005.

6. Debtors: Amounts Falling Due Within One Year

	2004 £	2003 £
Trade Debtors	1,667	1,998
Other debtors	848,482	85,633
Due from connected charity	184,050	184,050
Total Debtors	1,034,199	271,681

Notes to the Financial Statements

7. Current Asset Investments

	2004 £	2003 £
Market value at 1 September 2003	1,961,056	1,775,690
Additions	2,613,005	1,240,472
Disposal proceeds	(599,226)	(1,132,744)
Net investment gains	73,842	77,638
Market value at 31st August 2004	4,048,677	1,961,056
Historical Cost at 31st August 2004	2,663,228	2,162,364
The investments at market Value comprise:		
UK equities	2,479,626	1,961,056
Cash and Settlements	1,569,051	-
Total Market Value	4,048,677	1,961,056

Cash and Settlements above £1,569,051 (2003:£nil) represents monies deposited in an Escrow account to meet a stage payment in connection with the purchase of Coniston Court.

8. Creditors: Amounts Falling Due Within One Year

	2004 £	2003 £
Trade creditors	273,257	173,071
Taxation and social security	-	1,266
Due to connected charity	680,506	359,950
Other creditors	66,250	53,545
Total Market Value	1,020,013	587,832

9. Creditors: Amounts Falling Due After More Than One Year

	31.8.04 £	31.8.03 £
Loan from Watch Tower Society of Britain	13,467,616	9,437,650
Loan from Merrill Lynch	5,672,397	-
Total creditors falling due after more than one year	19,140,013	9,437,650

The above loan from Watch Tower has been granted on an arms length basis. The trustees of this charity have given an undertaking that they will not request any repayment on this loan without one year's notice.

The Merrill Lynch loan is repayable on demand. However in order to protect liquidity the trustees have obtained a guarantee from Watch Tower that they will cover any such demand in the short term. IBSA undertakes to repay Watch Tower in such circumstances twelve months later.

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 which is a registered charity and has similar objects. This charity has the same registered office as that of the Association.

Notes to the Financial Statements

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 Watchtower Bible and Tract Society of Britain (charity registration number 1077961) a connected charity as explained in note 1.

12. Reconciliation of Changes in Resources to Net Inflow from Operating Activities

	2004 £	2003 £
Net incoming resources and investment gains	25,698	619,179
(Increase) in stocks	(10,308)	(3,455)
(Increase) / Decrease in debtors	(762,518)	372,129
Increase in creditors	432,182	3,871,347
Deficit on disposal of tangible fixed assets	7,994	17,864
Depreciation	1,057,706	963,345
Net cash inflow from operating activities	750,754	5,840,409

13. Analysis of cash flow from Capital Expenditure in the Cash Flow statement

	2004 £	2003 £
Capital expenditure and financial investment		
Loan advances	9,702,363	-
Purchase of tangible fixed assets	(8,609,226)	(5,735,481)
Sale of tangible fixed assets	103,570	79,560
Write off of intangible fixed assets	-	2,000
Net cash outflow from capital expenditure and financial investment	1,196,707	(5,653,921)

14. Analysis of changes in net funds

	At 1.9.03 £	Cash flow £	At 31.8.04 £
Net cash:			
Cash at bank and in hand	1,470,633	(140,160)	1,330,473
Liquid resources:			
Current asset			
Investments	1,961,056	2,087,621	4,048,677
Total	3,431,689	1,947,461	5,379,150

15. Capital Commitments

The charity is committed to pay the remaining stage payments of £1,569,051 in connection with the purchase of Coniston Court. These funds are held in an Escrow account (note 7).