

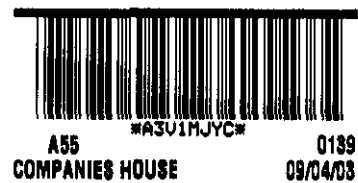
Company No. 136726
Registered Charity No. 216647

IBSA
2002

**International
Bible Students
Association**

I.B.S.A. House, The Ridgeway, London, England, NW7 1RN

ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 31st August 2002



INTERNATIONAL BIBLE STUDENTS ASSOCIATION

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Year ended 31st August 2002

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INTERNATIONAL BIBLE STUDENTS ASSOCIATION

LEGAL STATUS, OFFICERS AND ADVISERS

31st August 2002

CONSTITUTION

The Association is an unlimited company, without share capital, incorporated in England under the Companies Acts 1908 and 1913 and is a Registered Charity. The Association is governed by its Memorandum and Articles of Association dated June 30, 1914 and altered by special resolutions in 1949, 1951 and 1958.

DIRECTORS AND TRUSTEES

The directors of the charitable company are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

S. A. Hardy *President*
J. S. Andrews *Vice-President*
J. A. Wynn
J. D. Dutton

SECRETARY

Sydney D. Smith

REGISTERED OFFICE

I.B.S.A. House
The Ridgeway
London NW7 1RN

PRINCIPAL BANKERS

Barclays Bank plc
Hampstead & Whetstone
Corporate Banking Centre
PO Box 12820
London N20 0WE

AUDITORS

Calcutt Matthews
Chartered Accountants
The Courtyard
Holding Street
Rainham
Kent ME8 7HE

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

REPORT OF THE TRUSTEES

Year ended 31st August 2002

The board of trustees present their report and the financial statements of the Association for the year ended 31st August 2002. 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 four 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.

A comprehensive internal audit programme has been devised. The internal auditor (who is a certified accountant) and his assistant, both drawn from the volunteer work-force, have a set agenda to pursue through the year, and reported in writing to the trustees on October 28, 2002. Approved recommendations were implemented.

Reserves policy

The Association has a reliable donation base, being primarily the 1,400 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 3.7 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 although overall value has fallen.

Relationship with connected charities

The Association works closely with Watch Tower Bible and Tract Society of Britain and The Kingdom Hall Trust. 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. The Association makes donations to The Kingdom Hall Trust, enabling it to further its work, primarily in the French speaking world.

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

REPORT OF THE TRUSTEES (Continued)

Year ended 31st August 2002

Risk assessment

The major risks to which the charity is exposed have been 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.

Review of the year and financial position

The financial results of the year's activities are shown on page 5. The direct charitable expenditure included the purchase of Bibles and Bible study aids, from Watch Tower Society of Britain, at a cost of £3,034,651. These were then distributed free, through congregations of Jehovah's Witnesses. The charity was also able to make donations of cash and goods to overseas charities primarily in the developing world totaling £2,696,593 and £3,045,067 to the Kingdom Hall Trust, all of this to assist in the worldwide work of Jehovah's Witnesses, advancing the Christian religion.

The year under review has seen further preparations for expanding the work of the Association. Watch Tower Society, for which the Association provides facilities, is requiring yet more volunteers to care for its international work. Therefore, contracts were signed to purchase two more apartment blocks, and changes are being made to both the offices and factory to make room for the work. Plans were formulated to upgrade the original accommodation at Watch Tower House.

Our projections to August 31, 2003, indicate the need to curtail some spending, because of the property developments in London. However, some substantial donations are in prospect, and the Governing Body of Jehovah's Witnesses in the United States, has given a legal undertaking to provide back up funding, up to £2,000,000 should that become necessary.

Trustees responsibilities in respect of the preparation of accounts

Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to:

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

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

Auditors

A resolution will be proposed at the Annual General Meeting that Calcutt Matthews, Chartered Accountants, be re-appointed as auditors to the charity for the ensuing year.

By order of the Trustees



S. D. SMITH
Secretary

27 February 2003

I.B.S.A. House
The Ridgeway
London
England
NW7 1RN

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

REPORT OF THE INDEPENDENT AUDITORS

Year ended 31 August 2002

Independent Auditors report to the members of the International Bible Students Association (IBSA)

We have audited the financial statements of IBSA for the year ended 31 August 2002 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.

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 prepared 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 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 of opinion

We conducted 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 2002 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.

Calcutt Matthews

Calcutt Matthews
Chartered Accountants
Registered Auditors

27 February 2003

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

STATEMENT OF FINANCIAL ACTIVITIES (Including income & Expenditure Account)
Year ended 31st August 2002

	<i>Notes</i>	<i>2001</i>
INCOMING RESOURCES		
<i>Charitable income:</i>		
Donations and contributions	6,647,127	6,300,671
Convention donations	745,043	540,135
Donated overseas properties	8 & 17 191,095	2,718,918
Legacies	751,512	2,180,493
<i>Total charitable income</i>	<u>8,334,777</u>	<u>11,740,217</u>
<i>Other income:</i>		
Interest and dividends receivable	216,737	316,622
Service charges made to Watch Tower Society of Britain	2,666,902	2,480,966
Total incoming resources available for charitable application	<u>11,218,416</u>	<u>14,537,805</u>
RESOURCES EXPENDED		
<i>Charitable expenditure:</i>		
Costs of literature	4 3,034,651	2,901,249
Convention costs	340,450	350,482
Donations made	5 5,741,660	4,475,890
<i>Operating expenses:</i>		
Operating expenditure - charged to Watch Tower Society of Britain	6 1,976,079	1,953,786
Depreciation - recharged to Watch Tower Society of Britain	8 693,297	969,519
(Loss) on disposal of tangible fixed assets	7,928	85,467
Interest payable on connected charity loan	-	160,150
<i>Management and administrative expenses:</i>		
Depreciation of overseas properties	8 297,094	297,094
Depreciation - not recharged on convention equipment	8 1,467	1,315
Total expenditure	<u>12,092,626</u>	<u>11,194,952</u>
NET (OUTGOING) / INCOMING RESOURCES	17 (874,210)	3,342,853
OTHER RECOGNISED GAINS & LOSSES		
(Loss) on quoted investments	(272,259)	(164,102)
Exchange Gains	26,416	15,739
	<u>(245,843)</u>	<u>2,485,087</u>
NET MOVEMENT OF FUNDS	(1,120,053)	3,194,489
Fund balances brought forward at 1 September 2001	46,034,096	42,839,607
at 31 August 2002	<u>£44,914,043</u>	<u>£46,034,096</u>

The statement of financial activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

BALANCE SHEET

31st August 2002

	<i>Notes</i>	2002	2001
FIXED ASSETS			
Tangible assets	8		
Payments on account of freehold purchases		5,100,000	-
Land and buildings		25,917,494	26,344,093
Overseas properties		15,412,819	15,518,818
Plant and machinery		429,376	489,260
Motor vehicles		193,069	218,139
		<u>47,052,758</u>	<u>42,570,310</u>
Intangible assets			
Copyrights		2,000	2,000
		<u>47,054,758</u>	<u>42,572,310</u>
CURRENT ASSETS			
Stocks on hand		124,529	116,818
UK listed investments	9	1,775,690	445,291
Debtors and accrued income	10	643,810	2,566,637
Cash at bank		1,281,034	5,111,630
Congregation contributions in transit		188,477	211,476
		<u>4,013,540</u>	<u>8,451,852</u>
CREDITORS: falling due within one year	11	<u>(316,605)</u>	<u>(552,416)</u>
NET CURRENT ASSETS		3,696,935	7,899,436
CREDITORS: falling due after more than one year	12	<u>5,837,650</u>	<u>4,437,650</u>
TOTAL ASSETS LESS LIABILITIES		<u>£44,914,043</u>	<u>£46,034,096</u>
FUNDS		<u>£44,914,043</u>	<u>£46,034,096</u>

Approved by the Trustees and signed on their behalf by:

Stephen A. Hardy

S. A. HARDY
President

27 February 2003

[Signature]

S. D. SMITH
Secretary

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

CASH FLOW STATEMENT

Year ended 31st August 2002

	<i>Notes</i>	2001
Net Cash inflow from incoming resources	14	3,014,560
Return on investment and servicing of finance	15	216,737
Capital expenditure and financial investment	16	(7,084,892)
Decrease in cash		(3,853,595)
 Reconciliation of Net Cashflow to Movement in Net funds:		
Decrease in cash in the year		(3,853,595)
Cash at 1 September 2001		5,323,106
CASH AT 31 AUGUST 2002		£1,469,511
 Cash and deposits repayable on demand:		
Building society and bank deposits		1,281,034
Cash and cash in transit		188,477
		£1,469,511

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31st August 2002

1. STATUS OF THE ASSOCIATION

The Association is an unlimited company without share capital, incorporated under the Companies Acts 1908 and 1913 (No.136726) and is a Registered Charity (No.216647).

2. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000) issued in October 2000, applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are as follows:

a) Donations and interest receivable

Income from donations and interest is included as it is receivable. If the donor specifies that monies are to be used for specific purposes this income is included in a restricted fund.

b) Legacies receivable

Legacy income is recognised when the charity is notified of an impending distribution or when the legacy is received whichever is the earlier.

c) Resources expended

Resources expended are recognised in the period in which they are incurred. The charity is registered for VAT. The only activity which is outside the scope of VAT is the operation of Christian Conventions. Irrecoverable VAT is attributed to the convention cost heading.

d) Tangible fixed assets

The Association's policy is to carry all assets at historical cost, except for inherited assets which are included on the balance sheet at a valuation existing at 1 September 1999 when IBSA implemented FRS 15 for the first time.

e) Depreciation is provided on fixed assets to write off the cost over the following periods:-

Land	No depreciation
Freehold and overseas properties	50 years
Leasehold property	15 years
Machinery, equipment and fixtures	7 - 10 years
Computers	3 years

f) Incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

g) Stock is included at the lower of cost or net realisable value.

h) Unrestricted funds

The charity has no restricted funds it has only general funds. General funds are funds 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.

3. PERSONNEL

a) The Association has no employees but engages only volunteers, providing them with free board, lodging and an allowance for personal and other expenses. During the year there was an average of 483 (458 in 2001) persons involved. The trustees received no payments or reimbursements in their capacity as trustees.

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31st August 2002

2001

4. COSTS OF LITERATURE

Cost of Bible literature for public distribution	<u>£3,034,651</u>	<u>£2,901,250</u>
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5. DONATIONS MADE

Donations to The Kingdom Hall Trust	3,045,067	2,012,000
Donated to overseas branches for Christian work*	<u>2,696,593</u>	<u>2,463,890</u>
	<u>£5,741,660</u>	<u>£4,475,890</u>

* All cash donations overseas were applied for the benefit of the work of Jehovah's Witnesses for countries in need.

6. OPERATING EXPENDITURE

Cost of services charged to Watch Tower Society:

Allowances to personnel	731,132	620,349
Dining room and kitchen supplies	312,916	332,994
Accommodation expenses	119,261	146,191
Staff shop net (income)	224	-1,050
Farm supplies	29,710	34,683
Electricity, fuel and water	386,376	336,130
Property costs, general and vehicle maintenance	287,217	347,426
Property rents and taxes	56,978	53,615
Professional charges	52,265	83,448
	<u>£1,976,079</u>	<u>£1,953,786</u>

Services charges also include a charge for the depreciation incurred on relevant assets.

7. AUDITORS REMUNERATION

Professional charges include		
auditors remuneration of	£5,700	£5,700
Other services provided by external auditors	<u>-</u>	<u>£450</u>

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31st August 2002

8. FIXED ASSETS	Payments on account of freehold purchases	Land and buildings	Overseas property	Plant and machinery	Motor vehicles	TOTAL
Cost or valuation						
At 1st Sept 2001	-	30,006,129	16,015,288	1,024,082	309,079	47,354,578
Additions	5,100,000	147,239	191,095	33,723	24,493	396,550
Disposals and w/o	-	-	-	(40,426)	(11,756)	(52,182)
At 31st Aug 2002	5,100,000	30,153,368	16,206,383	1,017,379	321,816	47,698,946
Depreciation						
At 1st Sept 2001	-	3,662,036	496,470	534,822	90,940	4,784,268
Charge for the year	-	573,838	297,094	81,317	39,609	991,858
Disposals and w/o	-	-	-	(28,136)	(1,802)	(29,938)
At 31st Aug 2002	-	4,235,874	793,564	588,003	128,747	5,746,188
Book values						
At 31st Aug 2001	-	£26,344,093	£15,518,818	£489,260	£218,139	£42,570,310
At 31st Aug 2002	£5,100,000	£25,917,494	£15,412,819	£429,376	£193,069	£41,952,758

The net book values of U.K. land and buildings comprise freehold properties at £25,780,994 and leasehold property with a right to purchase, at £136,500. The Association's interests in land and buildings situated in Britain had been valued at £49,084,788.

During the year the directors approved the purchase of property in Friern Barnet. The property was in the course of construction at the year end. Further payments of £4.1 million have been paid since the year end with the completion of stages of the building process. See note 18.

9. CURRENT ASSET INVESTMENTS

Market Value at 1 September 2001	445,291
Additions	3,299,430
Disposal proceeds	(1,696,772)
Net investment losses	(272,259)
Market value at 31 August 2002	£1,775,690
Historical cost at 31 August 2002	£2,047,949

The investments wholly comprise UK equity shares.

The investments have been previously reported as Fixed assets. Following a significant donation and at the request of the trustees, these have been re-categorised on the basis that they may be sold to satisfy cash requirements.

10. DEBTORS AND ACCRUED INCOME

Service charges receivable	207,071	258,934
Income Tax reclaimable	6,266	6,002
Convention donations receivable	29,597	3,129
Legacies receivable	124,399	1,890,675
Bank interest receivable	3,929	130,069
Amount due from associated charities	184,050	184,050
Other Loans	88,498	93,778
	£643,810	£2,566,637

INTERNATIONAL BIBLE STUDENTS ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31st August 2002

11. CREDITORS amounts falling due within one year		<i>2001</i>
General suppliers	71,254	105,672
Due to Watch Tower Society for literature	131,421	196,425
Other amounts due to Watch Tower Society	17,060	107,775
V.A.T. payable	29,377	19,521
Accrued expenses	59,520	68,562
Unsecured loan notes	-	975
Sundry creditors	7,973	53,486
	<u>£316,605</u>	<u>£552,416</u>

12. CREDITORS: amounts falling due after more than one year		<i>2001</i>
Loan from connected charity	<u>£5,837,650</u>	<u>£4,437,650</u>

The above loan is granted from Watch Tower Society of Britain on an arms length basis. The trustees of this charity have given an undertaking that they will not draw on this loan without one year's notice. Watch Tower Society of Britain has undertaken to transfer the deferred payments of £4.1 million relating to the purchase of the freehold property in Friern Barnet. The balance shown above takes into account this liability. The basis of this advance is explained at note 18.

13. TRANSACTIONS WITH TRUSTEES AND CONNECTED CHARITIES

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

The Association has close connections with Watch Tower Bible and Tract Society of Britain (Watch Tower Society) and The Kingdom Hall Trust. The registered office of the Watch Tower Society and the registered office of The Kingdom Hall Trust are at the registered office of the Association. These charities have common or related objectives.

The Association purchases literature from Watch Tower Bible & Tract Society of Britain. It charges Watch Tower Society for the cost of living accommodation and providing facilities for The Society to carry on its activities.

14. RECONCILIATION OF OPERATING (DEFICIT) / SURPLUS TO NET CASH FLOW FROM NET (OUTGOING) / INCOMING RESOURCES		<i>2001</i>
(Deficit) / Surplus on continuing operations after depreciation	(874,210)	3,342,853
Depreciation	991,858	1,267,927
Loss on disposal of tangible fixed assets	7,928	85,467
(Increase) in Stocks	(7,711)	(19,331)
Decrease / (Increase) in Debtors	1,922,827	(1,513,934)
Increase / (Decrease) in Creditors	1,164,189	(189,284)
Interest receivable	(216,737)	(316,622)
Exchange gains	26,416	15,739
Net cash inflow from operating activities	<u>£3,014,560</u>	<u>£2,672,815</u>

15. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

Income from investments and interest received	<u>£216,737</u>	<u>£316,622</u>
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INTERNATIONAL BIBLE STUDENTS ASSOCIATION

NOTES TO THE ACCOUNTS

Year ended 31st August 2002

16. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible fixed assets	(5,305,455)	(370,739)
Donated overseas properties	(191,095)	(2,718,918)
Sale of tangible fixed assets	14,316	132,029
Quoted investments acquired	(3,299,430)	(102,385)
Sale of Quoted investments	1,696,772	-
	<u>(£7,084,892)</u>	<u>(£3,060,013)</u>

17. CHANGE OF ACCOUNTING POLICY

In previous years the policy surrounding donated property was to account for this in other recognised gains. The accounting policies have been changed so that in line with Charity SORP paragraph 95 these are treated as part of incoming resources.

In addition the profit or loss on the disposal of tangible fixed assets had been adjusted through 'Other gains and losses'.

The effect of these policy changes and the related re-statement of previously reported figures are explained as follows:

Adjustment to Net Incoming resources at 31 August 2001	
Net Incoming Resources for the year to 31 August 2001 - as previously reported	709,402
Donated overseas properties - previously included in other recognised gains	2,718,918
Loss on disposal of tangible assets - previously included in other recognised gains	(85,467)
Net Incoming Resources for the year to 31 August 2001 - as restated:	<u>£3,342,853</u>

18. CAPITAL COMMITMENTS

In June 2002 the charity purchased two freehold properties locally for £9.2 million. At the year end, the contracts had been completed. Under the contract, £4.1 million was to be treated as deferred consideration pending completion of the new building. Security for this deferred consideration is in the form of a legal charge between the builders and the charity. This will be relinquished on satisfaction of the final part of the consideration.