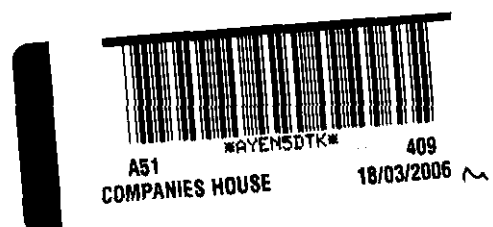


REGISTERED NUMBER:- 3060972.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

FINANCIAL STATEMENTS

30 JUNE 2005



INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

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COMPANY INFORMATION

COMPANY NUMBER: 3060972

CHARITY NUMBER: 1047178

DIRECTORS: Mr Andrew Gammie (Chair)
Mr Peter Bruce
Miss Margaret Cranston
Mr David Dixie
Dr Elizabeth Forbes - Stone
Dr David Halpin
Rev Anthony Leighton
Miss Diane Norton
Dr Jan Parker
Mr Peter Parslow
Mr Alexander Swarbrick
Mr Richard Sykes

COMPANY SECRETARY: Mr John Reynolds

REGISTERED OFFICE: 69 Wentworth Road
Harborne
Birmingham
B17 9SS

AUDITORS: Mazars LLP
The Broadway
Dudley
West Midlands
DY1 4PY

SOLICITORS: Anthony Collins Solicitors
Pearl Assurance House
4 Temple Row
Birmingham
B2 5HG

BANKERS: Bank of Scotland
55 Temple Row
Birmingham
B2 5LS

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE YEAR ENDING 30TH JUNE 2005

The Directors present their report along with the financial statements of the charity for the year ended 30th June 2005. The financial statements have been prepared on the accounting policies set out in note 1 to the financial statements and comply with the charity's memorandum and articles of association, applicable law and the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in October 2000.

Objects of the company

International Nepal Fellowship is a UK registered charity, incorporated as a company limited by guarantee.

The memorandum of association defines the charity's 'Objectives' as being:

- (a) *To advance the Christian religion by enabling Christians to serve the Lord Jesus Christ amongst Nepali and other Asian people and to uphold and strengthen the church in the United Kingdom, Nepal and other countries; and*
- (b) *To relieve persons who are in need by reasons of poverty, sickness or distress in such ways as the company may from time to time determine including supporting the work of Christian relief and development agencies.*

During the year reported, on INF worked in partnership with the International Nepal Fellowship, a Non Government Organisation (NGO) registered in Nepal. This partnership is based on a relationship that has existed between the two organisations for over 50 years, with a formal partnership agreement being entered into in October 1998.

Because these two organisations share the same name, yet are legally independent, we shall refer to them as INF (UK), and INF (Nepal) respectively for the remainder of this report.

INF (Nepal) works under a 5 year contract with His Majesty's Government of Nepal in the fields of health, and community development, its core focus being the poor and marginalised in the West of Nepal. It has historic strengths in the areas of leprosy control and tuberculosis control. The current contract runs until 5th December 2005.

INF draws its distinctive ethos and values from its evangelical, non-denominational, Christian heritage. Its mission to serve the poor and marginalised peoples of Western Nepal, and to uphold the church of Nepal, is a holistic expression of its Christian faith. Because of this INF recruits Christian expatriate volunteers to serve in Nepal.

The Government of Nepal explicitly precludes INF workers from proselytising. This requirement is respected but is still compatible with INF's wider vision to identify with, and uphold the national church and wider Christian community within Nepal. INF expatriate volunteers are encouraged to attend and be committed to local Nepali churches.

During the year reported on INF (UK) fulfilled its charitable objectives by providing services and resources to INF (Nepal). These include finance for projects & programmes, recruiting volunteer personnel to work within INF (Nepal)'s projects and programmes, and publicity. It also services a diverse network of supporters both within the UK and further afield, and acts on behalf of INF (Nepal) in strengthening relationships with a number of other UK and European based partner agencies.

It is estimated that there are over 10 million Nepalis living outside of Nepal. INF (UK)'s focus will alter slightly in coming years to embrace the needs that exist in Nepali communities outside of Nepal, as well as continuing its support of INF (Nepal).

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

Organisational structure

The charity is based in the UK, with its headquarters in Birmingham. It has worked in partnership with INF (Nepal) to fulfil its charitable objectives.

The governance of the organisation rests with the Board of Directors, who fulfil the role of trustees for the purposes of charity legislation. The board meets on average five times a year.

Executive authority for the day to day management and direction of the organisation is delegated to its Chief Executive Officer (CEO). Two committees support the CEO, an 'Executive Committee' - comprising the Chairman, Vice-Chairman, one other board member and the CEO; and a 'Finance Committee' comprised of two board members, an independent co-optee, and the CEO.

During the current year the board continued to carry out a number of 'Assurances'. These are internal audit functions and presently cover the areas of finance, risk management, and recruitment of volunteers.

Significant events during the current year

The continuing Maoist conflict in Nepal

Nepal has suffered a Maoist insurgency since 1996. Acts of violence are aimed predominantly at institutional targets, including members of the police and security forces, and political figures. One of the aims of the Maoists is the eventual replacement of the monarchy with a 'people's government'.

The severity and extent of the insurgency has grown since 1996, and all districts of Nepal are now affected. The government has responded to these challenges with increasing levels of force and there have been human rights abuses on both sides. These are of increasing concern to the international community, including major donors such as the EU. Many ordinary Nepalis now live in fear of both the Maoists and the security forces.

On February 1st 2005 the King staged a coup and took direct control of the country, replacing the government of the day with one of his own choosing. Communication lines to the outside world were cut for a number of days coupled with an almost complete news blackout. In response INF (UK) put into action its contingency plan and worked closely with colleagues in Nepal to ensure families of expatriates serving with INF, partner agencies and supporters were kept informed during this period of uncertainty.

The official reason given for the coup was the perceived failure of Prime Minister, Sher Bahadur Deuba, and his government to win the support of Maoist rebels for a 13 January deadline for peace talks and failing to prepare the ground for elections in the spring. Other commentators though suggested the king might have been using these issues to strengthen his own role in Nepalese politics, perhaps seeking to create an absolute monarchy.

Communications were eventually restored approximately a week after the coup though political and press restrictions remain. For a while government departments seemed to work more efficiently but matters have since reverted to the former status quo.

With regards to the security situation, within the Kathmandu valley there is an air of normality and apparent peace but outside of it little changed.

It is good to report that the Maoists declared an unilateral cease-fire in September 2005, which has lessened violent activity. Regrettably this was called off on the 2nd January 2006 with a resultant escalation of violence.

As in previous years INF (Nepal)'s commitment to the poor and marginalised of Western Nepal continues irrespective of the political and security situation.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

Significant events during the current year (continued)

Organisational change for INF (Nepal)

In both of the last two years reports we commented that INF (Nepal) had undertaken a strategic review of all of its operations in the light of the environment in which it works, using as a benchmark its mission aims and objectives, underpinned by prayer and reflection.

It is pleasing to report that the outworking of the strategic review has progressed. Clear actions have taken place to ensure that significant parts of INF's TB and Leprosy work are transferred to HMG Nepal's health service by the 5th December 2005. INF (Nepal) will, though, retain specialist provision for these two diseases in Surkhet (Leprosy) and Nepalganj (TB).

Across INF (Nepal)'s district programmes other plans are in place for non-core work to be privatised, outsourced or closed. The restructuring plan should be completed by the 5th December 2005.

As part of the restructuring plan there was a symbolic hand over of the majority INF's work in Nepal in March 2005 to a new board of Trustees made up entirely of Nepalis, though the official transfer did not take place until the 30th June. To complete the transfer INF (Nepal) needs to re-register the organisation and has chosen to name itself 'International Nepal Fellowship - Nepal'. This re-registering process is continuing and we are hopeful that it will be concluded within the current financial year.

Formation of INF Worldwide

As anticipated in last years Directors Report INF Worldwide Ltd was formed and registered in Australia on the 9th May 2005. INF Worldwide Ltd is a joint venture involving International Nepal Fellowship Nepal, INF Australia, INF New Zealand, INF (UK) and missionaries serving with INF. The board of INF Worldwide has representatives from each of these constituencies.

Simultaneous to the handover of district programmes to International Nepal Fellowship Nepal on the 30th June INF Worldwide Ltd became responsible for some of INF (Nepal)'s smaller programmes such as the INF Partnership Programme, which seconds medical professionals to work in Nepal's health service. INF Worldwide will also provide services, such as marketing, across all the global family of INF organisations and will be responsible for developing programmes among the Nepali Diaspora. A Partnership Agreement has been drawn up to formalise working relationships between each of the corporate members of INF Worldwide and INF Worldwide. This was formally signed on the 25th November 2005.

INF (Nepal)'s current agreement with the government of Nepal ran until 5th December 2005. Negotiations with HMG Nepal have commenced for INF Worldwide to replace INF (Nepal) as its lead partner, with the International Nepal Fellowship Nepal becoming INF Worldwide's local implementing partner. Indications are that a new agreement will be given despite negotiations not yet being concluded. Based on experiences over the past 15 this is not unusual.

Ministry to Nepalis in the UK

Initial investigations have been made to determine the scope for work amongst Nepalis in the UK. The initial findings have been very encouraging and further work will continue into the coming year. The Directors anticipate an additional worker being recruited during the coming year who will specifically focus on the developing works amongst Nepalis living in the UK.

Membership

The Directors wish to see supporters of INF taking a more significant role in the life of the mission in coming years. Initial discussions with supporters have indicated a desire for this, though there appears to be reluctance for this to be too formal. The board is therefore exploring means through which supporters can become more involved, and have a voice, through informal channels. These discussions will continue into 2005/06 and it is anticipated that concrete decisions will have been taken to this end by the time of the next Directors Report.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

Significant events during the current year (continued)

Regionalisation

INF (UK) have embraced the concept of representing INF more widely to its European constituency and feel that this is likely to occur through networking with like minded organisations and individuals in European countries. It sees itself as a hub for such a network, using its strengths to support relationships, rather than growing into an overarching European entity. Developing this network concept is part of INF (UK)'s long-term strategic plan.

Care of missionary volunteers

A key role of INF (UK) is pastoral care of its missionary volunteers in Nepal. Regular consultations with missionary volunteers and visits to Nepal by UK office staff members take place to ensure this service remains relevant and effective. During 2005, in recognition of the worsening security situation, various new initiatives were undertaken to ensure continuing high levels of care. Feedback from missionary volunteers indicates these new initiatives are welcome and valued.

Recruitment activities

A significant portion of INF (UK)'s contribution to INF (Nepal) is the volunteers it recruits and sends to Nepal. These are almost exclusively drawn from British churches, although INF (UK) is open and willing to recruit from similar European sources.

The organisational changes within INF (Nepal) mentioned above will inevitably lead to a reduction in the total number of expatriate missionaries serving with International Nepal Fellowship Nepal in coming years. It should be expected therefore that missionary volunteers from INF (UK) will also reduce over the coming years. This has been discussed at board meetings and the board is aware of the potential affect this may have on its strategies. It remains confident that its planning processes will enable it to respond to changing demands on INF, both in Nepal and world-wide, and market conditions in the UK.

In December 2003 the Employment Equality (Religion or Belief) Regulations, and Employment Equality (Sexual Orientation) Regulations, came into force. In view of the distinctive Christian ethos of both INF (UK) and INF (Nepal), INF has taken legal advice and believes there to be a "Genuine Occupational Requirement" as defined in these regulations for missionary volunteers to be practising Christians, and that INF's policies on sexual behaviour are legitimate. INF does not therefore see any significant impact for recruitment from these two new regulations provided it applies a consistent professional approach.

Financial activities

During the year, incoming resources were £960,000 and expenditure was £955,400. This represents a significant fall in income of approximately 24% and a fall in expenditure of 18% over last year. The main reason for this fall is that a grant from the EU towards INF's TB and Leprosy work in Nepal has not been recognised in the accounts. In previous years the grant was claimed during the financial year but received and transferred to Nepal post-year end; it was therefore included as both accrued income and accrued expenditure. A claim for €293,457 was submitted to the EU during the first half of 2005 but payment was still awaited at the time of signing this report. In the Directors opinion there is sufficient continued uncertainty to exclude the grant from the current year's financial statements.

Support and management costs are consistent with prior years; with the charity's activities broadly unchanged from prior years then this is to be expected.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

Support Fund

Volunteer workers recruited by INF (UK) raise funds toward the Support Fund, which covers the costs of maintaining them in Nepal and on Home Assignment. These funds are raised from church groups, trusts and personal supporters, many of whom represent friendship contacts from their church groupings. The Support Fund is a pooled resource, and guarantees an even level of allowance while a volunteer is in the service of INF. During the current financial year support income has been robust, which is seen as a result of continuing training given to volunteer recruits in personal support raising. It is the policy of INF, after reviewing its member support reserves, to apply any surplus to the benefit of its volunteer workers.

Support Fund reserves

INF Medical Fund Reserve - the Directors of INF (UK) consider it cost effective to provide an in-house medical scheme administered by INF (UK) on behalf of itself, INF Australia and INF New Zealand. A specific reserve has been established to ensure sufficient liquid funds are held to cover the event of a series of claims on the scheme. This now stands at £23,546, slightly in excess of the target figure for the reserve of £20,000.

Home Assignment Reserve - this reserve is held to cover the anticipated home assignment costs of volunteers and is reviewed annually. The Directors calculate that the fund holding required as at 30th June 2005 was £78,000 and therefore transferred £17,000 from the Home Assignment Reserve to the Support Fund General Reserve.

Operational Reserve - the Directors aspire to hold an operational reserve equating to six months of the anticipated annual costs of its members in Nepal. An additional sum of £24,000 was added to this reserve to bring the holding to £156,000, i.e. the target figure of six months of anticipated costs.

Emergency Reserve - an emergency reserve is held to ensure liquid funds are available in the event of an evacuation of volunteers from Nepal.

A portion of the overall emergency reserve is covered by 'Member Related Funds - Emergency repatriation reserve' and a portion is covered by 'Unrestricted Designated funds - Emergency repatriation fund'.

For a number of years the Directors have sought reduced reliance on Unrestricted Designated funds and this process continued in 2005. The 'Member Related Funds - Emergency repatriation reserve' is increased by £21,750 and the 'Unrestricted Designated funds - Emergency repatriation fund' is reduced by £15,750. In summary there has been a net increase of £6,000 across the two reserves.

Sabbatical Reserve - no sabbaticals have been requested for a number of years however two families and one single have indicated that they will be applying for sabbaticals to study at mission colleges during the next 12-24 months. Based on cost figures received from a major mission college the fund would need to increase by £27,000 to accommodate these requests and a transfer of this amount has been made from the Member Support General Fund.

Allocated to members - in 2005, in addition to normal allowances, additional payments totalling £30,500 were made from the amount of £60,160 allocated in last year's accounts. These moneys are to be used in various ways in keeping with the volunteer status of missionaries.

It is anticipated that further payments totalling £15,750 will be made to missionaries in the coming twelve months, with £13,910 being transferred back to the Member Support fund.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

General funds

Operational Reserve - the Directors aspire to hold an Operational Reserve, which equates to six months' costs. No additional amount is proposed for the current year and the Operational Reserve continues to stand at a figure equating to four and a half months.

Gift to INF Nepal - of the £109,476 designated last year from General Reserves for the work of INF in Nepal and world-wide, £83,538 was transferred by 30th June 2005 and a further £25,000 was paid shortly after the year-end.

This year the Directors propose a gift of £60,000 from General Reserves towards the work of INF in Nepal and internationally.

Investment policy

The Directors have the power to invest in such assets as they see fit. The charity has negotiated good terms with their bankers resulting in money market interest rates being paid on moneys held in their current account, notwithstanding that the accounts are instant access. As a result the Directors believe they have achieved an acceptable balance of risk and reward.

During the year the charity received a gift of £17,762 in shares. This brings the total value of investments to £30,786 of which £13,024 is in unquoted investments.

Reserves policy

The charity has a well-defined reserves policy, which is reviewed on an annual basis. This comprises

- i) Operational Reserves - these are moneys set aside to cover potential fluctuations in income for both the INF (UK) Headquarters (Unrestricted fund), and volunteer allowances (Support fund - Restricted). The aspiration is to hold an amount equivalent to six months' costs, based on the projected annual costs for the coming year for each of these respectively. The amount held as at 30th June 2005 for General operational reserve equated to 4.5 months, and the amount held for the Support Fund operational reserve equated to 6 months.
- ii) Home Assignment Reserves - these represent moneys accrued during a volunteer's period of service and required towards their eventual Home Assignment.
- iii) Emergency Reserves - in view of the current security position in Nepal, and uncertainties this causes, it is appropriate to hold an emergency reserve. An estimate has been made of the funds needed to evacuate personnel from Nepal in an emergency (both long-term and short-term personnel), and keep long-term personnel in the UK for a period of up to three months prior to their potential return.
- iv) Property Reserve - the charity's HQ property is valued in the Balance Sheet at £336,000 (less depreciation). This forms the basis of the Property Reserve.
- v) General Reserves - the board believes it prudent to hold a General Reserve to cover needs as yet not identified.
- vi) Restricted Reserves - these are funds held on behalf of a project, or for a designated purpose. With the exception of the support account the amount held is equal to the Fund balance at any one time.

Risk management

The Directors actively review the major operational and business risks faced by the charity on a regular basis, and have a formal risk assessment programme to identify and mitigate these.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

Trustees

The Directors set out below held office during the whole of the period from 1 July 2004 to the date of this report (unless otherwise stated):

Mr Andrew Gammie (Chair) – appointed 4th December 2004
Peter Rowe (Chair) – retired 4th December 2004
Mr Stephen Aisthorpe – retired 1st July 2005
Mr John Bradley – retired 16th April 2005
Mr Peter Bruce – appointed 15th September 2005
Miss Margaret Cranston – appointed 2nd July 2005
Mr Robert Cranston – retired 10th September 2004
Mr David Dixie
Dr Elizabeth Forbes - Stone
Dr David Halpin
Rev Anthony Leighton
Miss Diane Norton – appointed 2nd July 2005
Dr Jan Parker
Mr Peter Parslow
Rev John Putman – retired 16th April 2005
Mr Alexander Swarbrick
Mr Richard Sykes

The board takes into account the existing skills mix and experience of current Directors when selecting new Directors to be elected to the board of Directors. Upon election Directors serve for a period of up to three years, and may stand for re-election.

Commencing in 2005/06 the Chair will conduct an annual review with each director. This, together with:-

- an annual appraisal of necessary skills and experience required within the board;
- a clearer policy on re-election of board members;
- regular training session at board meetings;

should ensure continuing good governance within INF (UK).

Statement of Directors responsibilities

Charity 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 charity at the year end and of its incoming resources and resources expended during that year. In preparing those financial statements, Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity 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 charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They 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. The Directors believe they have discharged the duties expected of them.

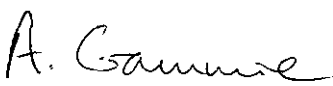

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2005 (continued)

Voluntary help and gifts in kind

The Directors are very grateful to a number of volunteers who help in various aspects of our work during the past year and are seeking to increase this input in the coming year.

Signed on behalf of the board.


Chairman 

28 January 2006

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INTERNATIONAL NEPAL FELLOWSHIP

We have audited the financial statements for the year ended 30 June 2005 which comprise the Statement of Financial Activities, the Balance Sheet, and related notes. These financial statements have been prepared under the historical cost convention revaluation of land and buildings and the accounting policies set out therein.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the directors, who also act as trustees for the charitable activities of the International Nepal Fellowship, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charity is not disclosed.

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

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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 state of the charitable company's affairs as at 30 June 2005 and of its incoming resources and application of resources, including its income and expenditure, in the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP
MAZARS LLP
CHARTERED ACCOUNTANTS and
Registered Auditors
The Broadway
Dudley
West Midlands
DY1 4PY

17 March 2006

INTERNATIONAL NEPAL FELLOWSHIP

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2005

	Note	Unrestricted funds		Restricted funds	Total 2005	Total 2004
		General funds	Designated funds			
		£	£	£	£	£
INCOMING RESOURCES						
Income from activities in furtherance of charity's objectives						
<i>Donations and Legacies</i>						
General donations, etc		147,317	-	-	147,317	142,956
Personal Gifts		-	-	521	521	64,834
Legacies		34,420	-	-	34,420	34,784
Support income		-	-	366,541	366,541	413,187
Designated Nepal & Seconded workers		-	-	314,012	314,012	242,864
Designated Nepal – other		-	-	12,242	12,242	19,767
Designated UK staff		-	-	-	-	100
Medical Scheme		-	-	250	250	8,229
<i>Grants and other charitable income</i>						
Grants receivable		-	-	170	170	285,325
Members Welfare Fund		-	-	30,213	30,213	614
Gordan Leitch Memorial Fund		-	-	1,316	1,316	845
Conference fees		10,655	-	-	10,655	8,384
Activities for Generating Funds:						
Contributions to printing		5,194	-	-	5,194	6,253
Income from 'Himilayan Vision'		-	-	-	-	6
Income from literature and other sales		303	-	-	303	492
Investment Income						
Interest receivable	10	36,928	-	-	36,928	25,632
TOTAL INCOMING RESOURCES		234,817	-	725,265	960,082	1,254,272
RESOURCES EXPENDED						
Cost of activities in furtherance of charity's objectives						
<i>Charitable Activities:</i>						
Purchases and conference costs		12,471	-	-	12,471	10,395
Sponsorship	3	-	-	-	-	4,791
Members' support costs	4	-	-	231,938	231,938	253,952
Nepal church history project		-	-	7,817	7,817	-
Funds remitted to Nepal	5	-	83,538	389,692	473,229	658,002
Allocated to members						
Designated UK staff		-	-	126	126	52
Fees payable		-	-	-	-	1,500
Member welfare fund		-	-	30,213	30,213	32,000
Medical Scheme		-	-	859	859	184
<i>Support Costs:</i>						
Communications		14,911	-	-	14,911	13,120
Office and mission house		5,532	-	-	5,532	4,928
Personnel		133,826	-	-	133,826	136,233
Utilities		1,222	-	-	1,222	2,729
Office costs		8,963	-	-	8,963	10,802
Recruitment		1,394	-	-	1,394	1,011
Depreciation		3,331	7,000	-	10,331	10,794
		181,650	90,538	660,645	932,833	1,140,493

INTERNATIONAL NEPAL FELLOWSHIP

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2005 (CONTINUED)

		Unrestricted funds		Restricted funds	Total 2005	Total 2004
	Note	General funds £	Designated funds £	£	£	£
Cost of generating funds						
Publicity expenses		12,262	-	-	12,262	9,455
Special Publications		-	-	-	-	1,400
Management and Administration						
Administration	6	10,289	-	-	10,289	7,038
		<u>22,551</u>	<u>-</u>	<u>-</u>	<u>22,551</u>	<u>17,893</u>
TOTAL RESOURCES EXPENDED		<u>204,201</u>	<u>90,538</u>	<u>660,645</u>	<u>955,384</u>	<u>1,158,386</u>
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS	7	<u>30,616</u>	<u>(90,538)</u>	<u>64,620</u>	<u>4,698</u>	<u>95,886</u>
Net transfer between funds	(3,973)	44,250	(40,277)	-	-
Gains/(losses) on investment assets		753	-	-	753	(462)
NET MOVEMENT IN FUNDS		<u>27,396</u>	<u>(46,288)</u>	<u>24,343</u>	<u>5,451</u>	<u>95,424</u>
FUND BALANCES AT BEGINNING OF PERIOD		<u>107,267</u>	<u>579,768</u>	<u>441,686</u>	<u>1,128,721</u>	<u>1,033,297</u>
FUND BALANCES AT END OF PERIOD		<u><u>134,663</u></u>	<u><u>533,480</u></u>	<u><u>466,029</u></u>	<u><u>1,134,172</u></u>	<u><u>1,128,721</u></u>

All recognised gains and losses are included in the statement of financial activities.

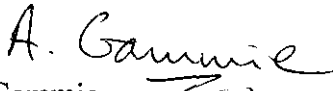
The company's income and expenditure all relates to continuing operations.

INTERNATIONAL NEPAL FELLOWSHIP

BALANCE SHEET AT 30 JUNE 2005

	Note	General funds £	Designated funds £	Restricted funds £	Total 2005 £	Total 2004 £
Fixed assets						
Tangible assets	11	3,311	315,292	-	318,603	327,759
Investments	12	30,786	-	-	30,786	12,271
		<u>34,097</u>	<u>315,292</u>	<u>-</u>	<u>349,389</u>	<u>340,030</u>
Current assets						
Stock of literature	13	853	-	-	853	1,553
Debtors and prepayments	14	32,045	-	-	32,045	268,472
Cash at bank and in hand		133,806	218,188	466,029	818,023	891,427
		<u>166,704</u>	<u>218,188</u>	<u>466,029</u>	<u>850,921</u>	<u>1,161,452</u>
Creditors: amounts falling due within one year						
Creditors and accrued charges	15	(66,138)	-	-	(66,138)	(372,761)
Net current assets		<u>100,566</u>	<u>218,188</u>	<u>466,029</u>	<u>784,783</u>	<u>788,691</u>
Total net assets		<u><u>134,663</u></u>	<u><u>533,480</u></u>	<u><u>466,029</u></u>	<u><u>1,134,172</u></u>	<u><u>1,128,721</u></u>
Funds						
Restricted funds	17	-	-	466,029	466,029	441,686
Designated funds:	18					
Revaluation to property	11	-	315,292	-	315,292	322,292
Other		-	218,188	-	218,188	257,476
General reserve		134,663	-	-	134,663	107,267
		<u>134,663</u>	<u>533,480</u>	<u>466,029</u>	<u>1,134,172</u>	<u>1,128,721</u>

Approved by the Board on 28 January 2006
and signed on its behalf


A Gammie


A R Leighton

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1 ACCOUNTING POLICIES

The financial statements are prepared, in accordance with SORP 2000 Accounting and Reporting by Charities, under the historical cost convention, which has been modified to include the revaluation of land and buildings.

Income

Income represents amounts received during the period, the accounting policy for which is set out below. Tax refunds are accrued in accordance with the SORP Accounting by Charities.

Depreciation

Depreciation is calculated to write off the cost of the assets less their residual value over their expected useful lives using the following rates:

Computer equipment and software	33 1/3% straight line
Freehold buildings	2% straight line

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the Statement of Financial Activities as they become payable in accordance with the rules of the scheme.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Investments

Investments are valued at market value in accordance with the SORP Accounting by Charities. Changes in value during the period are reported in gains/losses in investment assets in the Statement of Financial Activities.

Foreign currencies

Assets, liabilities, revenues and expenditure in foreign currencies are translated into sterling at the rates of exchange ruling on the date on which transactions occur, except for monetary assets and liabilities which are translated at the rate ruling at the balance sheet date, and transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract which are translated at those contracted rates. Differences arising on the translation of such items are dealt with in the Statement of Financial Activities.

Grants

Grants received towards specific projects are taken to income during the period in which they are receivable so as to match them with the expenditure towards which they contribute. Grants payable are recognised as expenditure when the commitment is entered into. Where such a grant is to be paid over instalments, the outstanding balance is disclosed as a liability.

Support Costs

Support costs represent the costs incurred by UK based staff, directly providing support for the staff and programmes based in Nepal.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1 ACCOUNTING POLICIES (Continued)

Management and Administration

These represent audit, legal and trustee costs. Only direct costs are included under this category. No office costs or overheads are apportioned as in the opinion of the Directors these would be immaterial.

Designated funds

Designated funds are amounts which have been set aside at the discretion of the Directors for a specific, but not legally binding, reason.

Restricted funds

Restricted funds are income received for a particular purpose as specified by the donor or supplier, less expenditure applied for such a purpose.

Cash flow statements

The financial statements do not include a cash flow statement because, as a small reporting entity, the company is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1.

2 STAFF COSTS

	2005 £	2004 £
Wages and salaries	108,474	103,564
Social security costs	8,340	7,780
Other pension costs	6,603	7,760
Courses, travel and other	5,913	5,034
Outsourced services	4,496	12,095
	<u>133,826</u>	<u>136,233</u>
Average number of employees/volunteers on home assignment:		
Management	1	1
Administration	5	5
Volunteers on home assignment	8	7
	<u>14</u>	<u>13</u>

3 SPONSORSHIP

Income and donations	-	-
Less: Costs	-	(4,791)
	<u>-</u>	<u>(4,791)</u>

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

4 MEMBERS' SUPPORT COSTS

	2005 £	2004 £
(1) UK Costs		
Equipment and allowances	39,651	44,879
Accommodation and travel	13,105	25,361
Social security	8,241	8,036
Other pension costs	63,406	49,455
Welfare fund	9,653	8,661
Other expenses	9,082	3,360
(2) Remitted to Nepal		
Support and related costs	88,800	115,200
	<u>231,938</u>	<u>253,952</u>

5 FUNDS REMITTED TO NEPAL

Special gift to Nepal	83,538	65,524
Designated Nepal - monies for specific projects	304,026	497,272
Designated Nepal – other monies	45,468	16,867
Seconded workers	9,985	13,506
Personal gifts	30,213	64,833
	<u>473,230</u>	<u>658,002</u>

6 ADMINISTRATION

Audit	5,100	5,582
Bank charges	671	714
Legal & Statutory Fees	1,089	35
Trustee Expenses	2,553	707
Trustee Nepal costs	876	-
	<u>10,289</u>	<u>7,038</u>

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

7 NET MOVEMENT IN RESOURCES FOR THE PERIOD

The net movement in resources for the period is stated after charging:

	2005 £	2004 £
Depreciation of owned tangible fixed assets	10,331	10,794
Audit fee	5,100	5,582
	<u>15,431</u>	<u>16,376</u>

8 TRANSFERS FROM RESTRICTED FUNDS

Under the terms and conditions for members, each adult UK member is responsible to fund support income to include a contribution to unrestricted company administration costs. It is the policy of the company to transfer a proportion of this as decided upon by the directors. Currently the transfer is equivalent to 12.5% of budgeted income for member's support.

During the year ended 30 June 2005, support income included an amount of £38,880 (2004 £41,136), all of which was transferred to unrestricted funds during the year.

9 DIRECTORS' REMUNERATION

No directors' remuneration was voted during the year. Directors' expenses incurred in connection with the company's affairs amounted to £3,429 (2004 £707).

10 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £	2004 £
Bank interest	36,376	25,632
Dividends	552	409
	<u>36,928</u>	<u>25,632</u>

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

11 FIXED ASSETS

	Freehold property £	Computer equipment and software £	Total £
Cost or valuation			
At 1 July 2004	350,000	25,618	375,618
Additions	-	1,175	1,175
Disposals	-	(6,938)	(6,938)
	<hr/>	<hr/>	<hr/>
At 30 June 2005	350,000	19,855	369,855
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 July 2004	27,708	20,151	47,859
Charge for the year	7,000	3,331	10,331
Disposals	-	(6,938)	(6,938)
	<hr/>	<hr/>	<hr/>
At 30 June 2005	34,708	16,544	51,252
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2005	315,292	3,311	318,603
	<hr/>	<hr/>	<hr/>
At 30 June 2004	322,292	5,467	327,759
	<hr/>	<hr/>	<hr/>

The freehold property at 69 Wentworth Road, Harborne, Birmingham, was valued as at 15 July 2000 by Hadleigh, Chartered Surveyors of Harborne, Birmingham, on a vacant possession basis, giving rise to a property revaluation reserve of £242,585, which has been included as a designated fund. The cumulative depreciation to date has been set against this fund.

	2005 £	2004 £
12 INVESTMENTS		
Charinco Common Investment Fund:		
Market value at beginning of year	12,271	12,733
Unrealised gain during the year	753	(462)
Gifts of shares during the year	17,762	-
	<hr/>	<hr/>
Market value at end of year	30,786	12,271
	<hr/>	<hr/>

The above investments in Charinco were originally acquired by International Nepal Fellowship, before the company was incorporated. The investments were transferred to the company on 15 July 1996 at the market value of £9,160.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005 £	2004 £
13 STOCKS		
Goods for resale	<u>853</u>	<u>1,553</u>
14 DEBTORS AND PREPAYMENTS		
Other debtors - grants receivable	-	266,500
Other debtors and prepayments	<u>32,045</u>	<u>1,972</u>
	<u>32,045</u>	<u>268,472</u>
There are no debtors falling due after more than one year		
15 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Funds held for Nepal	50,162	97,375
Grants payable	-	251,500
Tear Fund fees	-	1,500
Taxation and social security	5,537	2,875
Payments received on account	2,107	-
Accruals and deferred income	<u>8,332</u>	<u>19,511</u>
	<u>66,138</u>	<u>372,761</u>

16 CONTINGENT LIABILITY

Should the freehold property ever be sold due to the International Nepal Fellowship ceasing to work in Nepal or the United Kingdom, there would be a liability to repay a gift of £25,000 or 25% of the net proceeds if greater. For this purpose, the net proceeds of sale will be adjusted to have regard to improvements expenditure incurred since acquisition. The directors do not anticipate such a liability crystallising in the foreseeable future.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

17 RESTRICTED FUNDS

	Brought forward £	Donations and gifts £	Charitable expenditure £	Transfers £	Carried forward £
Grants					
TB and Leprosy Project	400	170	-	-	570
APSO Development Fund	2,506	-	-	-	2,506
Gifts to Nepal					
Designated Nepal	-	304,026	(304,026)	-	-
Seconded workers	-	9,985	(9,985)	-	-
Gospel Outreach fund	13	532	(350)	-	195
Theotracs (Scholarship)	798	884	(972)	-	710
Others in Nepal	3,198	2,810	(5,158)	-	850
Himalayan Ministries	36	-	-	-	36
Nepal Church History Project	-	7,817	(7,817)	-	-
Gordon Leitch Memorial Fund	22,482	1,316	-	-	23,798
Camps	590	200	(700)	-	90
Member Related Funds					
Support fund	36,302	366,541	(231,939)	(134,637)	36,267
Allocated to Members	60,160	-	(30,500)	(13,910)	15,750
Emergency repatriation reserve	45,000	-	-	21,750	66,750
Home assignment reserve	99,000	-	(38,000)	17,000	78,000
INF Medical Scheme	21,265	-	(859)	3,140	23,546
Members pensions	120	-	-	(120)	-
Operational reserve (support)	132,000	-	-	24,000	156,000
Sabbatical reserve	15,000	-	-	27,000	42,000
Others					
Members welfare fund	2,658	521	-	15,500	18,679
Personal gifts	-	30,213	(30,213)	-	-
UK staff	158	250	(126)	-	282
	<u>441,686</u>	<u>725,265</u>	<u>(660,645)</u>	<u>(40,277)</u>	<u>466,029</u>

Note: The Support Fund transfer includes a transfer of £38,880 (2004 £41,136) from support income to unrestricted funds.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

18 DESIGNATED FUNDS

The unrestricted funds include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 July 2004 £	New designations £	Utilised/ released in year £	Transfers £	Balance at 30 June 2005 £
Operational reserve (general)	85,000	-	-	-	85,000
Property reserve	322,292	-	(7,000)	-	315,292
Emergency repatriation fund	63,000	-	-	(15,750)	47,250
INF work in Nepal and Internationally	109,476	-	(83,538)	60,000	85,938
	<u>579,768</u>	<u>-</u>	<u>(90,538)</u>	<u>44,250</u>	<u>533,480</u>

The emergency reserve comprises monies set aside to cover the cost of evacuating personnel from Nepal in the event of an emergency, although this is not envisaged within the twelve months following the date of the signing of the accounts. The amount set aside represents the net costs of flights from Nepal based on current air fares, together with home leave costs for two months, less the balance of restricted reserves as indicated in the balance sheet. In the opinion of the directors, the restricted reserve balance of support income can be used for the purpose of evacuation.

The property reserve represents the carrying value of the property at 69 Wentworth Road, as per Note 11 of the Financial Statements.

The operational reserve comprises an estimate of UK administration for four months, and this has been created because of the fluctuating nature of income.

19 RELATED PARTY TRANSACTIONS

The directors consider that no transactions took place with related parties during the year.

20 RESERVES POLICY

Operational reserves

To cover fluctuations in income on both restricted account and unrestricted account. Target level of reserve to be held to equal 6 months of total projected annual costs on the Support fund (restricted fund), and the UK budget (unrestricted fund) respectively.

Home assignment reserves

An element of regular monthly support is required towards a member's eventual home assignment at the end of their period in Nepal. This is credited to a home assignment reserve on a monthly basis. Payment of home assignment costs is taken from the home assignment reserve.

Emergency reserves

The security position in Nepal has worsened during the year.

The board consider it imperative to hold an emergency reserve to enable it to respond to any emergency that arises.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

20. RESERVES POLICY (CONTINUED)

Property reserve

Property is in the balance sheet at a net book value of £315,292. This forms the basis of the property reserve. No revaluation is proposed at this stage.

General reserves

For prudence sake the Board wish to hold sufficient general reserves to cover needs as yet not identified. As a matter of principle it does not wish to hold unnecessarily high reserves and has set itself a maximum upper target for general reserves of approximately £150,000, to be reviewed annually, or as necessary.

Restricted reserves

These are funds held on behalf of a project, or for a designated purpose. The amount held is equal to the fund balance at any one time.