


INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

FINANCIAL STATEMENTS

30 JUNE 2007

WEDNESDAY



AJE70ZIV

A06	07/05/2008	170
COMPANIES HOUSE		
APIZUZ/G		
A21	26/04/2008	260
COMPANIES HOUSE		

SA

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

CONTENTS

	<u>PAGE</u>
COMPANY INFORMATION AND TRUSTEES' REPORT	1 - 11
AUDITORS' REPORT	12
STATEMENT OF FINANCIAL ACTIVITIES	13 & 14
BALANCE SHEET	15
NOTES TO THE FINANCIAL STATEMENTS	16 to 26

INTERNATIONAL NEPAL FELLOWSHIP

(A company limited by guarantee)

TRUSTEES' REPORT FOR THE PERIOD ENDED 30TH JUNE 2007

The trustees present their report along with the financial statements of the charity for the period ended 30th June 2007. 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" 2005

1. Reference and administration details of the charity, its trustees and advisers

The International Nepal Fellowship (also known as INF/UK) is a registered charity (number 1047178) and a company limited by guarantee (number 3060972)

The principle address of INF/UK is 69 Wentworth Road, Harborne, Birmingham B17 9SS This is also the registered address of the company

Board of Trustees

Mr Andrew Gammie	(Chair)
Mr Peter Bruce	
Mr David Dixie	
Dr Elizabeth Forbes - Stone	
Dr David Halpin	
Mrs Sarah Hay	(appointed 2nd December 2006)
Rev Anthony Leighton	(vice-Chair)
Miss Diane Norton	
Dr Jan Parker	
Mr Peter Parslow	
Mr Richard Sykes	

Chief Executive Officer

Mr John Reynolds

Company Secretary

Mr John Reynolds

Auditors

Mazars LLP
The Broadway
Dudley
West Midlands
DY1 4PY

Solicitors

<i>Employment Law</i>	<i>Other areas</i>
Heatons LLP	Anthony Collins Solicitors
7 th Floor Phoenix House	Pearl Assurance House
Newhall Street	4 Temple Row
Birmingham	Birmingham
B3 3NH	B2 5HG

Bankers

Bank of Scotland
55 Temple Row
Birmingham, B2 5LS

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

2. Structure, Governance and Management

INF/UK is governed by its Memorandum and Articles of Association and the board of trustees of INF/UK are accountable for the actions of INF/UK. The board meets on average five times a year.

The board is responsible for the overall direction of the organisation and the policies that govern the way the organisation functions.

Responsibility for the day to day leadership and management of the organisation is delegated to the Chief Executive Officer (CEO), who is responsible for achieving the organisation's strategic goals. The CEO is line managed by the Chair on behalf of the board.

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.

When appointing new trustees the board takes into account the existing skills mix and experience of current trustees. New trustees are recruited through a mix of advertising (through INF publications) and direct approach by the board. Upon appointment trustees serve for a period of up to three years, and may stand for re-election.

New trustees undergo an induction programme led by the Chair of trustees. The programme includes a history of INF/UK and its work; a copy of its accounts, its memorandum and articles of association, key internal documents including INF/UK's strategic plan. It also draws heavily on the NCVO publication 'The Good Trustee Guide'.

Once appointed trustees continue to receive regular training during board meetings and their contribution is reviewed on an annual basis by the Chair of trustees.

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. INF/UK assesses the risks it faces through a risk register, which is reviewed regularly. It has also put in place procedures to monitor and manage these risks.

3. Objectives and Activities

The memorandum of association defines the charity's 'objectives' as

- 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*

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

3. Objectives and Activities (continued)

INF/UK achieves its objectives through partnering the International Nepal Fellowship (Nepal) (INF/N), a non government organisation (NGO) registered in Nepal, and INF Worldwide (INF/W), an international NGO (INGO) registered in Australia. Strong working relationships have existed between INF/UK, INF/N and INF/W, and their forbears, for over 50 years.

INF/UK has an interest in INF/W having approximately 8.25% of the voting rights available at a general meeting. It also has the right to appoint a director to their board. For the period in question this role has been taken by INF/UK's CEO, John Reynolds.

There are no voting or appointment rights in respect of INF/N.

INF/W and INF/N work under a 5 year contract with the Government of Nepal in the areas of health and community development. We are pleased to report that this contract was renewed during the past year for a further 5 years to 2010. Under Nepali law an INGO cannot implement its own programmes. These have to be carried out by a locally registered 'implementing agency'. INF/N fulfils the role of the 'implementing agency'.

As well as pursuing its objectives through the development projects of INF/N and INF/W, INF/UK also identifies with, and upholds the national church and wider Christian community within Nepal. INF expatriate volunteers are encouraged to attend and be committed to local Nepali churches. Nepal has allowed freedom of religious belief for many years, formalising this in 1990. This was strengthened at the end of May 2006 when Nepal declared itself a secular society.

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 the trustees of INF/UK believe there to be a Genuine Occupational Requirement for expatriate volunteers, serving for periods in excess of three months, to be Christians.

4. Main activities through the past year

(a) INF/UK

1 During the year reported on INF/UK fulfilled its charitable objectives by:-

- Seconding Christian professionals to INF/W and INF/N to work in the fields of health and development, and capacity building
- Providing pastoral support to its seconded personnel
- Fund raising for INF/N and INF/W projects and programmes
- Providing services and resources to INF/N and INF/W
- Publicising in the UK the work of the INF family of organisations
- Servicing a diverse network of supporters both within the UK and Europe

INTERNATIONAL NEPAL FELLOWSHIP

(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

4. Main activities through the past year (continued)

- Acting on behalf of INF/N and INF/W in strengthening relationships with a number of UK and European based partner agencies
 - Developing plans for a dedicated outreach to Nepalis resident in the UK
 - Extending the worldwide support base for the INF family of organisations through supporting the establishment of INF North America
- ii. A major initiative aimed at raising funds for INF's work with the disabled in Nepal, called 'Get a Life', commenced in 2007. This will continue to be a core focus for fund raising through 2007-08. This campaign is also being used to build the number and involvement of supporters
- iii. The trustees recognised that the UK office has been understaffed for existing workloads and that its development plans would exacerbate the situation. They decided that it was in the best interest of the charity to increase staff in order to develop the potential of the charity. Funding for this will largely come through the release of funds once 69 Wentworth Road is sold.
- iv. In March 2007 the Charity Commission undertook a rigorous review of INF as part of their ongoing programme of reviewing UK charities involved in overseas work. The trustees are pleased to report that they received a very positive report from the Charity Commission and that no requirements or recommendations were requested of the charity.

(b) INF Worldwide

- i. Personnel
A new Executive Director, Dr David Stevens, was appointed bringing 14 years of health and community development experience in Nepal. Dr Stevens took over from Steve Aisthorpe, who returned to the UK after 12 years' service in Nepal with INF
- ii. Board
Hugh Belshaw, a former Finance Director of Oxfam UK, joined the Board as Treasurer from December 2006 onwards. This strengthens the financial governance of the Board
- iii. Organizational
INF North America was established towards the end of 2007. It is anticipated that INF North America will have a large impact on INF's ability to recruit and raise funds in North America.
- iv. Government Relationships
Gratis visas were granted to INF workers and their families in May 2007 following many months of political uncertainty. It is a sign of the high regard INF is held in that it was granted gratis visas for its overseas workers when all other INGOs in Nepal were being asked to pay for theirs

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

4. Main activities through the past year (continued)

v INF/W Programmes

Support of INF Nepal

The majority of the INF/W members are seconded to INF Nepal.

Diaspora

In partnership with INF Nepal a new "Safe Migration" programme with Nepali migrants has commenced, focussed on the north west of India

A more detailed phase of research on girl trafficking was conducted. This focussed on what other organisations were doing, and where INF/W's strengths could be brought to bear on the issue

It has continued to develop links with Nepali Diaspora communities in Malaysia, the Middle East, Hong Kong and Australia. Some of these links have resulted in programmes to serve and work with Nepali migrant workers -

- INF/W members have been involved with a short term residential centre in Kathmandu for workers returning from Malaysia
- INF/W members have been involved in running training sessions, workshops and Bible teaching to Nepali workers and fast growing Nepali churches in Malaysia.
- INF/W members have led workshops and Bible training in the Middle East with migrant workers

Partnership Programme

Provides regular assistance to government and non-government health institutions and development organisations

Faith @ Work

Encourages the idea that the workplace is a valid and valuable place of ministry for committed Christians

(c) INF Nepal

1. INF Nepal is the biggest member of the INF family and is a national non-government organisation which implements a range of health and development programmes in western Nepal. It has a staff of about 320 Nepalis and 40 expatriate volunteers

It seeks to serve the people of western Nepal and meet their needs in a holistic way, leading to improvements in the health and quality of life of individuals and communities. INF Nepal's focus is on the poor and disadvantaged, including those affected by stigmatising diseases, the disabled and poor and marginalised communities

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

4. Main activities through the past year (continued)

11 Programmes

INF/N works through six programmes based in Mugu, Jumla, Surkhet, Banke, Dang and Kaski. Its work focuses on six key technical areas, as follows

Leprosy: This includes the treatment of those with leprosy complications (for example reactions), advocacy for those requiring treatment in government facilities, and physical and social rehabilitation of those affected by leprosy.

TB Work includes the treatment of those with complex TB (multi-drug resistant TB, HIV / AIDS co-infection etc) and advocacy for those needing treatment in government services

HIV / AIDS and drug abuse: INF runs a voluntary counselling and testing centre in Pokhara and carries out HIV / AIDS awareness through most of its programmes INF also runs a drop-in and residential centre for drug addicts in Nepalgunj

Disability: Work with those with disabilities includes physical rehabilitation and reconstructive surgery, socio-economic rehabilitation, and advocacy and awareness raising

Community health and development. INF works with a variety of communities (displaced people, poor women, remote and disadvantaged communities) to empower them

Health services support: This work focuses on improving local health services through the training of government staff (in technical and management aspects), provision of technical support, and infrastructure and equipment support

5. Significant events during the current year

(a) Political situation

The majority of INF's work takes place in Nepal During the year Nepal went through major political change. The Maoist insurgents agreed to a comprehensive peace accord and put their weapons under observation of the UN.

Elections to a constituent assembly to re-write the constitution were called for June 2007 and then postponed until November 2007, these were further postponed to 2008 following the Maoists' decision to leave the government to bring pressure to bear for the monarchy to be abolished.

Many ethnic and political groups in Nepal were emboldened by the success of the Maoists' use of strikes and violence to advance their cause This past year, therefore, saw many other groups use strikes and violence in their own striving for justice and fair representation in the upcoming constituent assembly. Periodically during the year this manifested itself in violent ethnic strife

The political uncertainty is expected to continue through the coming year

(b) 69 Wentworth Road

The charity's property at 69 Wentworth has served the charity well since it was purchased in 1986 However, the charity's needs have altered quite significantly since purchase It was placed on the market in May 2007. See further comment below under 'Post Balance Sheet Date Events'

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

6. Financial activities

During the year, total incoming resources were slightly down at £1,072,470 (2006 - £1,101,515) This represents a fall of 2.6% following last year's rise of approximately 15%. Total expenditure was also down at £928,469 (2006 - £1,090,327)

(a) General Fund

Total income on the General Fund was £292,892 compared to last year's figure of £304,066. While this is 3% down on 2006 it is still significantly up on 2005 (25%). The core reason for the fall in general income was a reduction in legacy income of £29,000

(b) Designated Nepal

Income for Nepal, excluding the support fund, was £401,389 (£447,759), down 10.7%. Last year's figures included additional moneys of £30,000 from the United Churches of the Netherlands, excluding this, the fall in income reduces to 3.9%

This fall in income needs to be read against last year's significant increase of 37%

Gifts to Nepal and INF internationally were £432,959 (£558,767).

(c) 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 the volunteers' 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 saw a reversal of last year's fall, rising 13.8% from £316,941 to £360,770

(d) EU funding for INF's TB & Leprosy work

INF/UK has been the contract holder of a five-year contract from the EU towards INF/N's TB and Leprosy project, this was worth approximately €2,000,000 over the period of the contract.

At the beginning of December 2006 the charity received 5 days' notice that the EU were to audit INF/N's TB and Leprosy project in Nepal in relation to the contract, which ended in January 2006. The audit covers the full five-year period.

The EU's auditors are of the opinion that approximately €140,000 (£95,000) of the moneys received over the five year contract period had been used for non qualifying purposes. INF vigorously disputed these findings. It has been awaiting a response since April 2007, despite having written a number of times requesting clarification of the position.

A worst case scenario is that INF will be asked to refund some or all of the disputed amount. Should this happen INF has sufficient liquid funds to repay what is requested of it without interrupting its normal activities.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

6. Financial activities (continued)

This is recorded in the accounts of the company as a contingent liability.

In addition to the above comment, last year we reported that approximately £204,000 worth of Euros had been received after the end of the contract and would need to be repaid. INF has contacted the EU several times and asked for advice on repaying this amount but to date has received no response. This amount is recorded in the company's books under 'creditors'

7. Reserves policy

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

(a) 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 between a lower limit of three months' and an upper limit of 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 2007 for General Operational Reserve was £132,250 equating to 4.7 months. The reserve holding for the Support Operational Reserve remains at £132,000, which equates to 6 months.

(b) Home Assignment Reserve

This is a designated fund within the Support Fund. Moneys are accrued to this reserve during a volunteer's period of service towards their eventual Home Assignment allowances. The board calculate that the fund holding required as at 30th June 2007 was £70,000.

(c) Emergency Repatriation Reserve

In view of the ongoing security difficulties in Nepal it is appropriate to hold an emergency reserve to ensure liquid funds are available in the event of an evacuation of volunteers, plus sufficient to keep them in the UK for a period of approximately three months prior to their possible return.

Of the total reserve of £114,000, £67,750 is covered by 'Member Related Funds - Emergency repatriation reserve' and £47,250 is covered by 'Unrestricted Designated funds - Emergency repatriation fund'.

(d) INF Medical Fund Reserve

Until mid-2007 the board of INF (UK) considered it cost effective to provide members with an in-house medical scheme. A serious illness suffered by one member caused the board to re-consider this though the eventual financial cost in the case in question was modest and easily covered from existing Medical Fund Reserves.

To mitigate the risk of significant future claims from hospitalisation in a third country all members now have full medical insurance cover provided through Banner Financial Services. INF's in-house medical scheme will continue, but provide a lesser level of cover to include costs that fall outside of the Banner scheme e.g. costs up to the excess figure, maternity costs and inoculations in Nepal. A reduced reserve of £10,000 is considered appropriate, down from last year's figure of £24,509.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

7. Reserves Policy (continued)

(e) Sabbatical Reserve

No sabbaticals were given during the year but it is anticipated that two families will be applying for sabbaticals to study at mission colleges during the next 12 months. Based on cost figures received from a major mission college the fund needs to hold approximately £42,000 to cover the anticipated costs.

(f) Member Welfare fund

This fund is a result of a major fund raising effort some years ago on behalf of missionary members. It has grown through continuing standing orders and now amounts to £20,895. Notices have been placed in INF's regular monthly prayer notes encouraging people to contact us if they know of former missionary members in need in order that funds can be dispersed.

(g) Property Reserve

The charity's property at 69 Wentworth Road is valued at its depreciated level of £784,000.

(h) General Reserves

The board believes it prudent to hold a General Reserve to cover needs or liabilities not yet identified. The board has decided to hold lower General Reserves than in previous years for two reasons: (i) it believes that it is acting prudently through its other reserve holdings, and (ii) it also wishes to exercise a faith reliance on God's provision.

(i) EU Repayment Reserve

Note 6 d. above refers to the EU contingent liability in respect of INF's TB and Leprosy contract with the EU. INF strongly disputes the findings of the EU's auditors but, for the sake of prudence, the board has decided to designate some of its general reserves to cover the contingent liability. It has therefore created a new reserve of £95,000. Should it be successful in its arguments with the EU this sum will be re-designated and given as a grant to INF's work in Nepal and internationally.

(j) Gift to the work of INF in Nepal and internationally

Note 6 d. above refers to the EU contingent liability in respect of INF's TB and Leprosy contract with the EU. INF strongly disputes the findings of the EU's auditors but, for the sake of prudence, the board has decided to designate some of its general reserves to cover the contingent liability. It has therefore created a new reserve of £95,000. Should it be successful in its arguments with the EU this sum will be re-designated and given as a grant to INF's work in Nepal and internationally.

Additionally, the board has transferred £100,000 of General Funds into a designated reserve for grants towards the work of INF in Nepal and internationally.

(k) 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.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

8. Investment policy

The board 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 board believe they have achieved an acceptable balance of risk and reward.

The board will be reviewing their stance on investment advice during 2008 particularly as they anticipate having significant additional funds upon the sale of 69 Wentworth Road.

9. Post balance sheet events

69 Wentworth Road

A purchaser for 69 Wentworth Road was found in September 2007. Following delays in exchanging contracts the agent advised on 2nd January 2008 that the sale had fallen through. Negotiations are continuing but it is likely that the property will need to be re-marketed early in 2008.

It is still hoped that the sale of the property will release funds to invest in the charity's development.

10. Plans for the future

In November 2006 the board commissioned a strategic review asking the question, 'where do we want to be in 10 years' time?' Stakeholders were consulted and helped shape the outcome.

In May 2007 the board agreed a 10-year vision statement which is being used to shape operational plans and set boundaries for the management.

11. Statement of Trustee responsibilities

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 sound judgements and estimates that are reasonable and prudent, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will not will not continue in business.

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 the 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.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2007 (continued)

12. Voluntary help and gifts in kind

The board 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

19 January 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL NEPAL FELLOWSHIP

We have audited the financial statements of International Nepal Fellowship for the year ended 30 June 2007 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of 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 trustees and auditors

As described in the Statement of Trustees' Responsibilities the company's trustees, who are also the directors of International Nepal Fellowship for the purposes of company law, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Trustees' Report is 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 trustees' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charitable company's affairs as at 30 June 2007 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Report is consistent with the financial statements.

Mazars LLP

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

10 April 2008

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2007

		Unrestricted funds		Restricted funds	Total 2007	Total 2006
	Note	General funds	Designated funds			
		£	£	£	£	£
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income						
Grants		-	-	-	-	-
Gifts to Nepal		-	-	401,389	401,389	447,759
Member support funds		-	-	360,770	360,770	316,941
Others		-	-	17,419	17,419	19,998
Sponsorship		-	-	-	-	6,081
Security appeal		-	-	-	-	12,750
General donations		153,443	-	-	153,443	129,599
Legacies		60,357	-	-	60,357	89,683
Appeals		17,139	-	-	17,139	24,758
Grants receivable		-	-	-	-	-
Contribution to printing		5,513	-	-	5,513	4,987
Investment income						
Interest & dividends receivable	9	47,782	-	-	47,782	39,418
		<u>284,234</u>	<u>-</u>	<u>779,578</u>	<u>1,063,813</u>	<u>1,091,974</u>
Charitable activities						
Conference fees		8,510	-	-	8,510	9,281
Trading income		148	-	-	148	259
		<u>8,658</u>	<u>-</u>	<u>-</u>	<u>8,658</u>	<u>9,540</u>
TOTAL INCOME		<u>292,892</u>	<u>-</u>	<u>779,578</u>	<u>1,072,470</u>	<u>1,101,514</u>
RESOURCES EXPENDED						
Cost of generating funds						
Costs of generating voluntary income		-	-	-	-	5,644
Purchases and conference		13,277	-	-	13,277	13,719
		<u>13,277</u>	<u>-</u>	<u>-</u>	<u>13,277</u>	<u>19,363</u>
Charitable activities						
Gifts to Nepal and INF internationally		-	20,000	-	20,000	115,000
Designated for specific gifts		-	6,400	406,559	412,959	443,767
Member support funds	4	-	-	161,424	161,424	208,477
Other member related funds		-	-	79,333	79,333	81,230
Others		-	-	16,080	16,080	19,112
Sponsorship		-	-	-	-	6,137
Funds remitted to Nepal		-	-	-	-	-
Support costs						
Personnel	2	146,692	-	-	146,692	133,555
Premises		7,285	-	-	7,285	4,343
Utilities		4,265	-	-	4,265	3,480
Office costs		8,437	-	-	8,437	9,456
Communications		17,776	-	-	17,776	16,685
Publicity/promotional		12,917	-	-	12,917	8,723
Recruitment		1,740	-	-	1,740	738
Depreciation	10	1,650	16,000	-	17,650	9,030
	15	<u>200,762</u>	<u>42,400</u>	<u>663,396</u>	<u>906,558</u>	<u>1,059,733</u>

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2007

		Unrestricted funds		Restricted funds	Total 2007	Total 2006
	Note	General funds £	Designated funds £	£	£	£
Charitable activities (continued)						
Governance costs	5	8,634	-	-	8,634	11,231
		<u>8,634</u>	<u>-</u>	<u>-</u>	<u>8,634</u>	<u>11,231</u>
TOTAL EXPENDITURE		<u>222,673</u>	<u>42,400</u>	<u>663,396</u>	<u>928,469</u>	<u>1,090,327</u>
NET INCOME/(EXPENDITURE)		<u>70,219</u>	(<u>42,400</u>)	<u>116,182</u>	<u>144,001</u>	<u>11,187</u>
Transfer between funds	(203,582)	221,400	(17,818)	-	-
Gain on investments		2,281	-	-	2,281	-
Revaluation reserve increase		-	-	-	-	491,709
NET MOVEMENT	(131,082)	179,000	98,364	146,282	502,896
Brought forward		<u>190,576</u>	<u>979,589</u>	<u>466,903</u>	<u>1,637,068</u>	<u>1,134,172</u>
CARRIED FORWARD		<u>59,494</u>	<u>1,158,589</u>	<u>565,267</u>	<u>1,783,350</u>	<u>1,637,068</u>

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

BALANCE SHEET AT 30 JUNE 2007

	Note	General funds £	Designated funds £	Restricted funds £	Total 2007 £	Total 2006 £
Fixed assets						
Tangible assets	10	3,328	784,000	-	787,328	802,492
Investments	11	33,067	-	-	33,067	30,786
		<u>36,395</u>	<u>784,000</u>	<u>-</u>	<u>820,395</u>	<u>833,278</u>
Current assets						
Stock of literature	12	353	-	-	353	653
Debtors and prepayments	13	11,147	-	-	11,147	12,274
Cash at bank and in hand		266,786	400,989	567,395	1,235,170	1,166,024
		<u>278,286</u>	<u>400,989</u>	<u>520,145</u>	<u>1,246,670</u>	<u>1,178,951</u>
Creditors: amounts falling due within one year						
Creditors and accrued charges	14	(51,127)	(26,400)	(2,128)	(79,655)	(171,101)
Grant money refundable	14	(204,060)	-	-	(204,060)	(204,060)
		<u>23,099</u>	<u>374,589</u>	<u>565,267</u>	<u>962,955</u>	<u>803,790</u>
Net current assets		<u>23,099</u>	<u>374,589</u>	<u>565,267</u>	<u>962,955</u>	<u>803,790</u>
Total net assets		<u><u>59,494</u></u>	<u><u>1,158,589</u></u>	<u><u>565,267</u></u>	<u><u>1,783,350</u></u>	<u><u>1,637,068</u></u>
Funds						
Restricted income funds	19	-	-	565,267	565,267	466,903
Designated income funds	20	-	-	-	-	-
Property	10	-	784,000	-	784,000	800,000
Other		-	374,589	-	374,589	179,589
General reserve		59,494	-	-	59,494	190,576
		<u>59,494</u>	<u>1,158,589</u>	<u>565,267</u>	<u>1,783,350</u>	<u>1,637,068</u>

Approved by the Board on 19 January 2008
and signed on its behalf

A. Gammie
A Gammie


A R Leighton

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1 ACCOUNTING POLICIES

The financial statements are prepared, in accordance with SORP 2005 (Accounting and Reporting by Charities) and relevant legislation, 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.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1 ACCOUNTING POLICIES (Continued)

Resources expended

Expenditure is included on an accruals basis, when incurred

Charitable Activities – these are staff costs plus other purchases of materials and services which relate directly to the provision of the charitable activities. Grants payable are accounted for once approved by the board of trustees.

Support Costs – these represent costs incurred by UK based staff, directly providing support for the staff and programmes based in Nepal. They are allocated to the two main charitable activities (support of missionary workers and support of INF internationally) as disclosed in Note 16

Governance – these are costs incurred in connection with administration of the charity and compliance with constitutional and statutory requirements. 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 Trustees these would be immaterial.

Designated funds

Designated funds are amounts which have been set aside at the discretion of the Trustees 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

	2007 £	2006 £
Wages and salaries	125,358	112,763
Social security costs	8,781	8,157
Other pension costs	7,824	6,536
Courses, travel and other	4,729	4,888
Outsourced services	-	1,211
	<u>146,692</u>	<u>133,555</u>
Average number of employees/volunteers on home assignment		
Management	1	1
Administration	7	6
Volunteers on home assignment	12	12
	<u>20</u>	<u>19</u>

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 £	2006 £
3 SPONSORSHIP		
Income and donations	-	6,081
Less Costs	-	(6,137)
	<u>-</u>	<u>(56)</u>
4 MEMBERS' SUPPORT COSTS		
(1) UK Costs		
Equipment and allowances	11,000	11,767
Accommodation and travel	-	23,344
Social security	5,950	6,048
Other pension costs	48,062	58,735
Welfare fund	20,459	14,915
Other expenses	-	762
(2) Remitted to Nepal		
Support and related costs	75,953	92,906
	<u>161,424</u>	<u>208,477</u>
5 GOVERNANCE COSTS		
Miscellaneous	725	726
Legal and statutory	1,090	2,895
Trustee expenditure	1,119	1,403
Trustee Nepal costs	-	507
Audit fee	5,700	5,700
	<u>8,634</u>	<u>11,231</u>
6 NET MOVEMENT IN RESOURCES FOR THE PERIOD		
The net movement in resources for the period is stated after charging:		
Depreciation of owned tangible fixed assets	17,650	9,031
Audit fee	5,700	5,700
	<u>23,350</u>	<u>14,731</u>

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

7 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 2007, support income included an amount of £19,820 (2006 £38,880), all of which was transferred to unrestricted funds during the year.

8 DIRECTORS' REMUNERATION

No directors' remuneration was voted during the year. Directors' expenses incurred in connection with the company's affairs amounted to £1,118 (2006 £1,910).

	2007 £	2006 £
9 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank interest	42,770	36,716
Dividends	5,012	2,702
	<u>47,782</u>	<u>39,418</u>

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

FOR THE YEAR ENDED 30 JUNE 2007

10 FIXED ASSETS

	Freehold property £	Computer equipment and software £	Total £
Cost or valuation			
At 1 July 2006	800,000	5,605	805,605
Additions	-	2,486	2,486
Revaluation	-	-	-
Disposals	-	(3,218)	(3,218)
	<u>800,000</u>	<u>4,873</u>	<u>804,873</u>
At 30 June 2007	<u>800,000</u>	<u>4,873</u>	<u>804,873</u>
Depreciation			
At 1 July 2006	-	3,113	3,113
Charge for the year	16,000	1,650	17,650
Disposals	-	(3,218)	(3,218)
Eliminated upon revaluation	-	-	-
	<u>16,000</u>	<u>1,545</u>	<u>17,545</u>
At 30 June 2007	<u>16,000</u>	<u>1,545</u>	<u>17,545</u>
Net book value			
At 30 June 2007	<u>784,000</u>	<u>3,328</u>	<u>787,328</u>
At 30 June 2006	<u>800,000</u>	<u>2,492</u>	<u>802,492</u>

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. The valuation was updated in 2006, based on the guide price as advised by Knight Frank in October 2006.

	2007 £	2006 £
11 INVESTMENTS		
Charinco Common Investment Fund		
Market value at beginning of year	30,786	30,786
Unrealised gain during the year	2,281	-
	<u>33,067</u>	<u>30,786</u>
Market value at end of year	<u>33,067</u>	<u>30,786</u>

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. A further gift of shares was received in 2005, with a value of £17,762.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 £	2006 £
12 STOCKS		
Goods for resale	<u>353</u>	<u>653</u>
13 DEBTORS AND PREPAYMENTS		
Other debtors and prepayments	<u>11,147</u>	<u>12,274</u>
	<u>11,147</u>	<u>12,274</u>
There are no debtors falling due after more than one year		
14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Funds held for Nepal	26,635	151,734
Taxation and social security	3,548	10,240
Accruals and deferred income	<u>49,472</u>	<u>9,127</u>
	<u>79,655</u>	<u>171,101</u>
Grant money refundable	<u>204,060</u>	<u>204,060</u>

The charity received a European Union grant for a project which has ceased. The money will therefore be refunded to the European Union.

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

15 CHARITABLE ACTIVITIES

	Activities directly undertaken	(Note 17) Grant Funding	(Note 16) Support Costs	2007 Total	2006 Total
	£	£	£	£	£
Support of missionary workers	240,757	-	108,381	349,138	383,591
Support of INF Internationally	-	449,039	108,381	557,420	676,142
	<u>240,757</u>	<u>449,039</u>	<u>216,762</u>	<u>906,558</u>	<u>1,059,733</u>

16 SUPPORT COSTS

Activity	Support of missionary workers	Support of INF Internationally	2007 Total	2006 Total
	£	£	£	£
Personnel	73,346	73,346	146,692	133,555
Premises	3,642	3,643	7,285	4,343
Utilities	2,132	2,133	4,265	3,480
Office costs	4,219	4,218	8,437	9,456
Communications	8,888	8,888	17,776	18,709
Publicity/promotion	6,459	6,458	12,917	12,343
Recruitment	870	870	1,740	738
Depreciation	8,825	8,825	17,650	9,031
	<u>108,381</u>	<u>108,381</u>	<u>216,762</u>	<u>191,655</u>

Basis of allocations:

The Trustees have apportioned support costs direct to activities where this is possible. Where support costs cannot be directly attributable to activities the Trustees have taken the view that support costs should be divided in a ratio of 50/50 between the support of missionaries and the support of INF internationally as they believe this reflects the division of costs incurred by the charity.

17 ANALYSIS OF GRANTS

	Grants to Institutions	2007 Total	2006 Total
	£	£	£
Support of missionary workers	-	-	-
Support of INF Internationally	449,039	449,039	584,016
	<u>449,039</u>	<u>449,039</u>	<u>584,016</u>

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

18 CONTINGENT LIABILITIES

EU Contract

INF/UK is the contract holder for a five-year contract from EU towards INF/N's TB and Leprosy project, this was worth approximately €2,000,000 over the period of the contract

At the beginning of December 2006 the charity received 5 days notice that the EU were to audit INF/N's TB and Leprosy project in Nepal in relation to the contract, which ended in January 2006. The audit covers the full five-year period. The auditor's initial findings suggest some costs claimed are ineligible. INF is vigorously disputing this finding

To cover a worst case scenario the board has designated £95,000 of General Reserves as a EU Repayment Reserve

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

19 RESTRICTED FUNDS

	Brought forward £	Donations and gifts £	Charitable expenditure £	Transfers £	Carried forward £
Grants					
TB and Leprosy Project	570	-	-	-	570
APSO Development Fund	2,129	-	(2,129)	-	-
Security appeal	8,019	-	-	(4,182)	3,837
Gifts to Nepal					
Designated Nepal	-	387,826	(387,826)	-	-
Seconded workers	-	11,373	(11,373)	-	-
Gospel Outreach fund	210	-	(210)	-	-
Theotracs (Scholarship)	1,478	805	(2,283)	-	-
Others in Nepal	2,601	-	(2,601)	-	-
Himalayan Ministries	36	102	(138)	-	-
Nepal Church History Project	-	-	-	-	-
Gordon Leitch Memorial Fund	25,373	1,168	-	-	26,541
Camps	(29)	115	-	-	86
Member Related Funds					
Support fund	25,509	360,770	(161,424)	(79,810)	145,045
Allocated to Members	-				
Emergency repatriation reserve	66,750	-	-	47,250	114,000
Home assignment reserve	115,900	-	(74,756)	28,856	70,000
INF Medical Scheme	24,509	-	(4,577)	(9,932)	10,000
Operational reserve (support)	132,000	-	-	-	132,000
Sabbatical reserve	42,000	-	-	-	42,000
Others					
Members welfare fund	19,397	1,498	-	-	20,895
Personal gifts	-	15,821	(15,821)	-	-
UK staff	451	100	(258)	-	293
	<u>466,903</u>	<u>779,578</u>	<u>(663,396)</u>	<u>(17,818)</u>	<u>565,267</u>

Note: The Support Fund transfer includes a transfer of £19,820 (2006 £38,880) from support income to unrestricted funds

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

20 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 2006 £	New designations £	Utilised/ released in year £	Transfers £	Balance at 30 June 2007 £
Operational reserve (general)	85,000	-	-	47,250	132,250
EU repayment reserve	-	-	-	95,000	95,000
Property reserve	800,000	-	(16,000)	-	784,000
Emergency repatriation fund	47,250	-	-	(47,250)	-
INF work in Nepal and Internationally	47,339	-	(26,400)	126,400	147,339
	<u>979,589</u>	<u>-</u>	<u>(42,400)</u>	<u>221,400</u>	<u>1,158,589</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 10 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

21 RELATED PARTY TRANSACTIONS

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

22 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 remains volatile and uncertain

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

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

22. RESERVES POLICY (CONTINUED)

Property reserve

Property is in the balance sheet at a net book value of £784,000. This forms the basis of the property reserve.

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.