

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

REGISTERED NUMBER:- 3060972.

FINANCIAL STATEMENTS

30 JUNE 2003



INTERNATIONAL NEPAL FELLOWSHIP
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INTERNATIONAL NEPAL FELLOWSHIP
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COMPANY INFORMATION
30 JUNE 2003

COMPANY NUMBER: 3060972

CHARITY NUMBER: 1047178

DIRECTORS: Mr Peter Rowe (Chairman)
Mr John Bradley
Mr Robert Cranston
Mr David Dixie
(appointed 7.12.02)
Rev Elizabeth Forbes – Stone
Dr David Halpin
Rev Anthony Leighton
Dr Jan Parker
Mr Peter Parslow
Rev John Putman
Mr Alexander Swarbrick
Mr Richard Sykes
Mr Stephen Aisthorpe
(appointed 17.12.02)

COMPANY SECRETARY: Mr John Reynolds

REGISTERED OFFICE: 69 Wentworth Road
Harborne
Birmingham
B17 9SS

AUDITORS: Mazars
The Broadway
Dudley
West Midlands
DY1 4PY

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

BANKERS: Bank of Scotland
Unit 2210
The Crescent
Solihull Parkway
Birmingham Business Park
Birmingham, B37 7YE

INTERNATIONAL NEPAL FELLOWSHIP
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DIRECTORS REPORT FOR THE PERIOD ENDING 30TH JUNE 2003

The Directors present their report along with the financial statements of the charity for the period ended 30th June 2003. 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

The International Nepal Fellowship (INF) is an 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.*

INF works in partnership with the International Nepal Fellowship, a Non Government Organisation (NGO) registered in Nepal (for the remainder of this report we refer to the separate organisations as INF (UK), and INF (Nepal) to aid understanding). 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.

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 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 an holistic expression of its Christian faith. Because of this INF reserves the right to recruit only 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 ex-patriate volunteers are encouraged to attend and be committed to local Nepali churches.

INF (UK) fulfils its charitable objectives by providing services and resources to INF (Nepal), in common with similar partner agencies in other countries. These include finance for projects & programmes (including securing overseas aid contracts with the likes of the European Union, and the Department for International Development.); 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 wider afield, and acts on behalf of INF (Nepal) in strengthening relationship with a number of other UK and European based partner agencies.

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DIRECTORS REPORT (continued)

Organisational structure

The charity is based in the UK, with its head quarters in Birmingham. It works in partnership with the 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 four 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 CEO, Chairman, Vice-Chairman, and one other board member; and a 'Finance Committee' comprised the CEO and three board members.

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

Fifty Years in Nepal

November 2002 marked the 50th anniversary of the first INF missionaries crossing the border from India to serve the peoples of Nepal (INF was known then as the Nepali Evangelistic Band). The Directors of INF (UK) wish to formally acknowledge the grace of God on the mission throughout its history. Much has been achieved in support of Nepal's development, and in service of the church of Nepal. Some of these achievements are recorded in a book published to celebrate the missions Jubilee, entitled 'Himalayan Vision', and edited by Mark Arnett. The book was given to INF's many supporters as a token of thanks for their commitment to INF.

The continuing Maoist conflict in Nepal

Nepal has suffered a Maoist insurgency since 1996. Acts of violence are aimed predominately at institutional targets, including members of the police and security forces, and political figures. One of the aim's 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. Many ordinary Nepalis now live in fear of both the Maoists and the security forces.

Hope for peace grew in January 2003 with a cease-fire between the Maoist and government forces. This was followed by talks between the Maoists leaders and representatives of His Majesty's government of Nepal.

During the period following the cease-fire there was a marked easing of tensions in the towns and villages in which INF works, and in the country as a whole. There was hope that many of the development NGOs, which had curtailed their activities during the previous year, would resume their initiatives.

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DIRECTORS REPORT (continued)

Although INF (UK)'s financial year ended at a time when there was hope of a lasting peace settlement, the cease-fire came to an end in August, with the Maoists walking out of talks with the government. Levels of violence escalated significantly after this and it is estimated that 1,000 people lost their lives violently during the eight weeks that followed.

INF's commitment to the poor and marginalised of Western Nepal continues irrespective of whether there is a cease-fire in place or not.

In our annual review last year we reported that one result of the increased conflict was an increase in the number of displaced peoples (internal refugees) within Nepal. During the course of the last year INF (Nepal) has undertaken research in this area and established a 'Displaced People's Initiative'. This initiative seeks to respond to the needs of displaced people, and will grow during the coming year. Some of the moneys collected through INF's jubilee fund-raising appeal (the 'Remember Me' fund) will be used for this initiative.

Changes in legislation in Nepal

In our last annual report we commented that the government of Nepal was planning to introduce a 'Non-Governmental Social Development Organisations Act', and that its implementation would result in a profound impact on the work of INF. In October 2002 the King removed the elected government and personally appointed a replacement government in its place. This has caused consternation among political parties who consider themselves disenfranchised. A side effect of the dissolution of the elected government was that the 'Non-Governmental Social Development Organisations Act' did not come onto the statute book.

Strategic changes for INF (Nepal)

The potential threat mentioned in the last paragraph focused minds within INF (Nepal), which undertook a strategic review of all of its operations in the light of the environment in which it works, using as a bench mark its mission aims and objectives. The faith basis of the organisation provided a fundamental foundation to this review, which was underpinned by prayer and reflection.

INF (Nepal) recognised that both the development scene and the church scene in Nepal has changed during its 50 years of services. There are now a greater number of NGOs in the country, many of which operate in fields similar to INF, with some being better resourced. In other areas local services have developed where there was previously none – a healthy outcome of many years of input. Importantly, the government's own health service has developed and there is now the potential for it to take on works such as TB and leprosy, which have been undertaken by NGO's such as INF. With regards to the Nepali church, this has grown and matured over the last 50 years and a number of churches have become involved in social action and development.

INF (Nepal) recognises that the time has come to refocus and re-position itself.

Key changes emanating from the review include the transfer of the majority of INF's TB and leprosy work to the government's health department, although INF will continue to provide some services for complex cases and for those sectors of the community that are particularly vulnerable. Other areas of work will be devolved to local organisations and church based groups. Overall it is anticipated that INF's work, and its staff, will reduce by between 40-50% over the coming two years.

A key part of the strategy is to free resources to enable INF to meet new challenges and opportunities in the years to come.

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DIRECTORS REPORT (continued)

In recognising that Nepal is changing INF (Nepal) acknowledges that it's own structures also need to change. It is consulting with its staff, local organisations and churches, and its supporters. It believes the time has come to hand over responsibility for its current work to a locally registered NGO with a Nepali board. Such a move will require a change in INF (Nepal)'s constitution. It is anticipated that the members meeting, which will be asked to approve this, will take place in the autumn of 2004.

Possible implications for INF (UK)

If the proposed constitutional change proceeds then INF (Nepal) will look to create an international service arm located outside of Nepal. INF (UK) has been asked to work closely INF (Nepal) in the evolution of this support role and it is possible that there may be synergies if INF (UK) in effect becomes the world-wide service arm. Discussions have commenced between the boards of INF (Nepal) and INF (UK) to explore the merits of such a move but it is too early to comment on the likely outcome of these discussions.

Major fund raising initiatives

During the period ending 30th June 2003 INF passed the milestone of 50 years service to Nepal. This milestone was marked by a special fund raising initiative called the 'Remember Me' fund. £100,000 was raised for this fund by INF (UK).

Change in year-end of INF (UK)

To aid migration to new accounting software the Directors agreed to alter the year-end from 15th July to 30th June. The current period reported on is therefore 11 ½ months.

Financial activities

During the year, the charity raised in total approximately £1.3 million from the general public, governments and other agencies, with expenditure of £1.23 million.

'Work in Nepal'

Of the moneys raised £1.036 million was specifically designated for projects, programmes or related activities of INF (Nepal), including volunteer personnel. Expenditure on these items during the year was £0.963 million before transfers between funds. Included in these figures is approximately £251,000, due, but not received from the European Union as at the year-end. Moneys owed to INF (UK) are included as a Debtor, with the amount due to be paid to INF (Nepal) included as a Creditor in the Balance Sheet.

Last year we commented that there had been an overall decline in private giving, which had fallen from £373,400 in 2001 to £281,000 in 2002. It is pleasing to report this year that there has been a reversal to this with private giving rising to £331,181, a rise of 17.8%.

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 which represents 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 in raising support given to volunteer recruits in personal support training. There was a surplus on the Support account and this has enabled the strengthening of Support Fund reserves.

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DIRECTORS REPORT (continued)

Support Fund reserves

INF Medical Fund Reserve. At the start of the current financial year INF (Nepal) ceased provision of its medical indemnity scheme. The Directors of INF (UK) considered it cost effective to provide an in-house scheme administered by INF (UK) on behalf of itself, INF Australia and INF New Zealand. A specific reserve has been raised to ensure sufficient liquid funds are held to cover the event of a series of claims on the scheme. A sum of £10,000 has been set aside and further contributions are expected from INF (Nepal) and the other INF offices. The aim is to raise a fund totalling £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 as at 30th June 2003 was in excess of the anticipated need and £19,200 was transferred back 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. £22,000 was added to this reserve to bring the holding to three months costs.

Emergency Reserve. An emergency reserve is held to ensure liquid funds are available in the event of an evacuation of volunteers from Nepal. The bulk of this is covered by unrestricted funds. The Directors would like to see an increasing portion covered by Support Funds and £15,000 was allocated for this purpose. This has enabled unrestricted designated funds to be released.

Allocated to members. In making the above adjustments to reserve holdings the Directors were mindful of a balanced approach to the Support Fund and felt that a significant portion of the surplus in 2002-03 should be allocated to volunteers currently serving in Nepal. The sum of £32,500 has been allocated to this end. These moneys will be used in various ways in keeping with the volunteers status of missionaries. Examples of this include additional training, and the provision of moneys towards vacations out of the country. This is particularly helpful in view of the additional stress caused by the internal conflict.

General funds

Operational Reserve. The Directors aspire to hold an Operational Reserve, which equates to six months costs. An amount of £37,500 was added to the General Operational Reserve to bring this to a figure equating to four months.

Gift to INF Nepal. Following the annual review of INF (UK)'s Designated and Restricted reserves the Directors have designated £75,000 from its General Reserves for the work of INF in Nepal and world-wide. This is in addition to moneys recorded in the Statement of Financial Activities as sent to INF (Nepal) this year.

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 the British churches, although INF (UK) is open and willing to recruit from similar European sources.

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DIRECTORS REPORT (continued)

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Dr Peter Brierley of Christian Research has written extensively on the subject of falling church membership within the UK over the past 20 years. INF (UK) recruits predominantly come from within an age band 28-35. During the past ten years it is estimated that the church-going public in this sector has fallen in excess of 50%. This has significant implications for INF (UK), and poses a threat to its ongoing activities. In response to this threat INF (UK) have reviewed its recruitment and member care strategies, and have combined these functions. It is seeking to build a distinctive competitive advantage based upon its ability to respond quickly and provide a more personal service to potential members, and current members. During the past three years INF (UK) has experienced a reversal of the decline in recruitment, in part it believes as a result of these initiatives.

The planned reduction of INF (Nepal)'s work over the coming two years has already created uncertainty in the area of recruitment and INF (UK) are acutely aware that the positive trend of the last three years may be reversed as a result. It is not uncommon for a period of 18 months to elapse between someone first showing an interest in joining as a volunteer and actually arriving in Nepal, particularly where that members goes to mission college for a period. INF (Nepal) have not been able to give an indication as to which jobs are likely to exist after the proposed changes, and this has weakened the recruitment focus. It is hoped that more direction can be given during the forthcoming year.

Given that there will be a planned reduction in ex-patriate numbers, possibly between 33% and 50%, volunteer recruits from INF (UK) may need to reduce over the coming years. This will doubtless have implications for INF (UK)'s strategy for the future but at this stage though it is too early to know the full implications of this.

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 believes there to be a "Genuine Occupational Requirement" as defined in these acts for missionary volunteers to be practising Christians, and for them to uphold INF's policies on sexual behaviour. INF does not therefore see any significant impact for recruitment from these two new acts provided it applies a consistent professional approach.

INF (Nepal) provides a quality Language and Orientation training within Nepal. Notwithstanding this, INF (UK) have identified the need to provide a short preparatory course geared to easing the transition from the UK to Nepal. This course in particular seeks to facilitate a positive experience during a member's initial three to six month period in Nepal. Courses are given over two weekends, using a selection of qualified external trainers. This training is in addition to training given to assist volunteers raising their financial targets.

During the period ended 30th June INF (UK) sent 9 new volunteers to Nepal. As at the year-end INF (UK) had 47 adult volunteers with INF (Nepal).

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DIRECTORS REPORT (continued)

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.

A small portion of the charity assets – circa £12,000, (held with Charinco) – are held 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 sums currently held are less than those aspired to and there is an intention to build levels over the next few years. The amount held as at 30th June for General operational reserve equated to 4 months, and the amount held for the Support Fund operational reserve equated to 3 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 Charities HQ property is valued in the Balance Sheet at £336,000. 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 instituted a formal risk assessment programme to identify and mitigate these.

INTERNATIONAL NEPAL FELLOWSHIP
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DIRECTORS REPORT (continued)

Trustees

The directors set out below held office during the whole of the period from 16 July 2002 to the date of this report (unless otherwise stated):

Mr Peter Rowe	(Chairman)
Mr John Bradley	
Mr Robert Cranston	
Mr David Dixie	(appointed 17.12.02)
Dr Elizabeth Forbes - Stone	
Dr David Halpin	
Rev Anthony Leighton	
Dr Sarah Meanley	(resigned 17.5.03)
Dr Jan Parker	
Mr Peter Parslow	
Rev John Putman	
Mr Alexander Swarbrick	
Mr Richard Sykes	
Mr Stephen Aisthorpe	(appointed 17.12.02)

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

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.

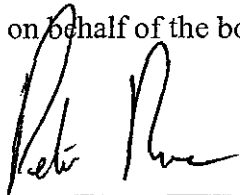
INTERNATIONAL NEPAL FELLOWSHIP
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DIRECTORS REPORT (continued)

Voluntary help and gifts in kind

The Directors are very grateful to a number of volunteers who help in various aspects of our work.

Signed on behalf of the board.



Chairman

3rd March ~~January~~ 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL NEPAL FELLOWSHIP

We have audited the financial statements for the period ended 30 June 2003 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 2003 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

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

12 March 2004

INTERNATIONAL NEPAL FELLOWSHIP

STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDED 30 JUNE 2003

	Note	General funds £	Unrestricted funds Designated funds £	Restricted funds £	Total Period Ended 2003 £	Total Year Ended 2002 £
INCOMING RESOURCES						
Income from activities in furtherance of charity's objectives						
<i>Donations and Legacies</i>						
General donations, etc		121,302	-	-	121,302	122,605
Personal Gifts				61,667	61,667	43,537
Legacies		18,261	-	-	18,261	-
Support income		-	-	369,341	369,341	357,140
Sponsorship	3	-	-	1,858	1,858	-
Designated Nepal & Seconded workers		-	-	343,852	343,852	273,328
Designated Nepal – other		-	-	14,596	14,596	28,424
Designated UK staff		-	-	30	30	160
<i>Grants and other charitable income</i>						
Grants receivable		16,714	-	302,744	319,458	421,518
Members Welfare Fund		-	-	2,040	2,040	3,695
Gordan Leitch Memorial Fund		-	-	5,668	5,668	2,415
Conference fees		-	-	-	-	23,905
Activities for Generating Funds:						
Contributions to printing		5,332	-	-	5,332	6,033
Income from 'Himilayan Vision'		3,511	-	-	3,511	-
Income from literature and other sales		366	-	-	366	-
Investment Income						
Interest receivable	11	23,085	-	-	23,085	23,442
TOTAL INCOMING RESOURCES		<u>188,571</u>	<u>-</u>	<u>1,101,796</u>	<u>1,290,367</u>	<u>1,306,202</u>
RESOURCES EXPENDED						
Cost of activities in furtherance of charity's objectives						
<i>Charitable Activities:</i>						
Purchases and conference costs		-	-	-	-	24,886
Sponsorship	3	-	-	7,538	7,538	-
Members' support costs	4	-	-	231,583	231,583	241,096
Nepal church history project		-	2,300	-	2,300	-
Funds remitted to Nepal	5	-	-	734,962	734,962	817,012
Designated UK staff		-	-	79	79	64
Fees payable		-	-	-	-	-
Member welfare fund		-	-	45,880	45,880	45,188
<i>Support Costs:</i>						
Communications		14,174	-	-	14,174	9,371
Stationery and supplies		-	-	-	-	12,279
Office and mission house		3,626	-	-	3,626	7,845
Personnel		118,857	-	12,598	131,455	112,362
Utilities		2,593	-	-	2,593	-
Office costs		10,025	-	-	10,025	-
Recruitment		2,345	-	-	2,345	-
Depreciation		4,231	6,708	-	10,939	12,592
		<u>155,851</u>	<u>9,008</u>	<u>1,032,640</u>	<u>1,197,499</u>	<u>1,282,695</u>

INTERNATIONAL NEPAL FELLOWSHIP

STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDED 30 JUNE 2003 (continued)

		General funds £	Unrestricted funds Designated funds £	Restricted funds £	Total Period Ended 2003 £	Total Year Ended 2002 £
	Note					
Cost of generating funds						
Publicity expenses	6	11,993	-	-	11,993	8,133
Special Publications	7	472	16,000	-	16,472	-
Management and Administration						
Administration		6,898	-	-	6,898	8,951
		<u>19,363</u>	<u>16,000</u>	<u>-</u>	<u>35,363</u>	<u>17,084</u>
TOTAL RESOURCES EXPENDED		<u>175,214</u>	<u>25,008</u>	<u>1,032,640</u>	<u>1,232,862</u>	<u>1,299,779</u>
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS	8	<u>13,357</u>	<u>(25,008)</u>	<u>69,156</u>	<u>57,505</u>	<u>6,423</u>
Net transfer between funds	(34,993)	72,000	(37,007)	(-)	-
Gains on investment assets		<u>670</u>	<u>-</u>	<u>-</u>	<u>670</u>	<u>655</u>
NET MOVEMENT IN FUNDS	(<u>20,966)</u>	<u>46,992</u>	<u>32,149</u>	<u>58,175</u>	<u>7,078</u>
FUND BALANCES AT BEGINNING OF PERIOD		<u>147,524</u>	<u>516,800</u>	<u>310,799</u>	<u>975,123</u>	<u>968,044</u>
FUND BALANCES AT END OF PERIOD		<u><u>126,558</u></u>	<u><u>563,792</u></u>	<u><u>342,948</u></u>	<u><u>1,033,298</u></u>	<u><u>975,122</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 2003

	Note	General funds £	Designated funds £	Restricted funds £	Total 2003 £	Total 2002 £
Fixed assets						
Tangible assets	12	6,043	329,292	-	335,335	344,148
Investments	13	12,733	-	-	12,733	12,063
		<u>18,776</u>	<u>329,292</u>	<u>-</u>	<u>348,068</u>	<u>356,211</u>
Current assets						
Stock of literature	14	3,253	-	-	3,253	353
Debtors and prepayments	15	-	-	268,521	268,521	246,913
Cash at bank and in hand		206,538	234,500	342,948	783,986	707,723
		<u>209,791</u>	<u>234,500</u>	<u>611,469</u>	<u>1,055,760</u>	<u>954,989</u>
Creditors: amounts falling due within one year						
Creditors and accrued charges	16	(102,009)	-	(268,521)	(370,530)	(336,078)
Net current assets		<u>107,782</u>	<u>234,500</u>	<u>342,948</u>	<u>685,230</u>	<u>618,911</u>
Total net assets		<u><u>126,558</u></u>	<u><u>563,792</u></u>	<u><u>342,948</u></u>	<u><u>1,033,298</u></u>	<u><u>975,122</u></u>
Funds						
Restricted funds	18	-	-	342,948	342,948	310,799
Designated funds:	19					
Revaluation to property	12	-	329,292	-	329,292	228,585
Other		-	234,500	-	234,500	288,215
General reserve		126,558	-	-	126,558	147,523
		<u>126,558</u>	<u>563,792</u>	<u>342,948</u>	<u>1,033,298</u>	<u>975,122</u>

Approved by the Board on 3rd March 2004
and signed on its behalf

P Rowe


CHAIRMAN

A R Leighton



INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2003

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, with the exception of grants, 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 as 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 PERIOD ENDED 30 JUNE 2003

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

	Period-ended 30 June 2003 £	Year-ended 15 July 2002 £
Wages and salaries	90,610	91,718
Social security costs	6,643	5,320
Other pension costs	6,479	6,087
Courses, travel and other	7,496	9,237
Outsourced services	20,227	-
	<u>131,445</u>	<u>112,362</u>
Average number of employees/volunteers on home assignment:		
Management	1	1
Administration	5	5
Volunteers on home assignment	7	6
	<u>13</u>	<u>12</u>

3 SPONSORSHIP

Income and donations	1,858	-
Less: Costs	(7,538)	-
	<u>(5,680)</u>	<u>-</u>

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2003

4 MEMBERS' SUPPORT COSTS

	Period-ended 30 June 2003 £	Year-ended 15 July 2002 £
(1) UK Costs		
Home leave allowances	35,776	45,115
Re-equipment allowances	6,128	6,371
Accommodation and travelling	4,328	7,928
Flight costs	25,926	-
Social security costs	5,560	6,241
Other pension costs	43,677	42,413
Welfare fund payments	7,356	-
Sabbaticals	-	940
Other expenses	1,270	22,284
(2) Remitted to Nepal		
Support and related costs	101,562	109,804
	<u>231,583</u>	<u>241,096</u>

5 FUNDS REMITTED TO NEPAL

Special gift to Nepal	-	22,156
Designated Nepal - monies for specific projects	629,737	702,498
Designated Nepal - other monies	33,386	22,309
Seconded workers	10,172	23,139
Personal gifts	61,667	43,537
Fees payable	-	3,373
	<u>734,962</u>	<u>817,012</u>

6 ADMINISTRATION

Audit	5,054	4,113
Bank charges	777	684
Legal & Statutory Fees	51	593
Trustee Expenses	1,016	1,501
Consultancy Fees	-	2,060
	<u>6,898</u>	<u>8,951</u>

7 SPECIAL PUBLICATIONS

The special publication refers to the book 'Himalayan Vision' published to celebrate the 50 year Jubilee of INF's work in Nepal. This was gifted to INF's supporters as a means of saying thank you for 50 years dedicated support. Feedback letters indicate that this was greatly appreciated and has helped build stronger relationships with supporters.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2003

8 NET MOVEMENT IN RESOURCES FOR THE PERIOD

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

	Period-ended 30 June 2003 £	Year-ended 15 July 2002 £
Depreciation of owned tangible fixed assets	10,940	12,592
Audit fee	5,054	4,113
	<u>16,000</u>	<u>16,705</u>

9 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.

During the period ended 30 June 2003, support income included an amount of £38,187 (2002 £44,640), all of which was transferred to unrestricted funds during the year.

10 DIRECTORS' REMUNERATION

No directors' remuneration was voted during the year. Directors' expenses incurred in connection with the company's affairs amounted to £1,016 (2002 £1,501).

11 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Bank interest	<u>23,085</u>	<u>23,442</u>
---------------	---------------	---------------

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2003

12 FIXED ASSETS

	Freehold property £	Computer equipment and software £	Total £
Cost or valuation			
At 16 July 2002	350,000	20,274	370,274
Additions	-	2,126	2,126
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 June 2003	<u>350,000</u>	<u>22,400</u>	<u>372,400</u>
Depreciation			
At 16 July 2002	14,000	12,126	26,126
Charge for the year	6,708	4,231	10,940
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 30 June 2003	<u>20,708</u>	<u>16,357</u>	<u>37,065</u>
Net book value			
At 15 July 2002	<u>336,000</u>	<u>8,148</u>	<u>344,148</u>
	<hr/>	<hr/>	<hr/>
At 30 June 2003	<u>329,292</u>	<u>6,043</u>	<u>335,335</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, 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.

	Period-ended 30 June 2003 £	Year-ended 15 July 2002 £
13 INVESTMENTS		
Charinco Common Investment Fund:		
Market value at beginning of year	12,063	11,408
Unrealised gain during the year	<u>670</u>	<u>655</u>
	<hr/>	<hr/>
Market value at end of year	<u>12,733</u>	<u>12,063</u>

The above investments 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 PERIOD ENDED 30 JUNE 2003

	Period-ended 30 June 2003 £	Year-ended 15 July 2002 £
14 STOCKS		
Goods and resale	3,253	353
	<u> </u>	<u> </u>
15 DEBTORS AND PREPAYMENTS		
Other debtors - grants receivable	267,500	238,358
Other debtors and prepayments	1,021	8,555
	<u> </u>	<u> </u>
	268,521	246,913
	<u> </u>	<u> </u>
There are no debtors falling due after more than one year		
16 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Funds held for Nepal	49,051	71,605
Grants payable	294,175	224,866
Tear Fund fees	-	3,373
Other creditors	1,054	17,407
Taxation and social security	2,074	1,516
Payments received on account	-	1,881
Accruals and deferred income	24,175	15,430
	<u> </u>	<u> </u>
	370,530	336,078
	<u> </u>	<u> </u>
17 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 PERIOD ENDED 30 JUNE 2003

18 RESTRICTED FUNDS

	Brought forward £	Donations and gifts £	Charitable expenditure £	Transfers £	Carried forward £
Grants					
TB and Leprosy Project	-	251,000	(250,786)	-	214
Health Services					
Partnership Project	131	41,644	(41,775)	-	-
Burtibang Community Health & Development Project	-	-	-	-	-
APSO Development Fund	-	10,100	(7,594)	-	2,506
Gifts to Nepal					
Designated Nepal	-	333,681	(329,181)	(4,500)	-
Seconded workers	-	10,172	10,172	-	-
Gospel Outreach fund	925	13	(925)	-	13
Himalayan Ministries	10,879	8,160	(19,003)	-	36
Gordon Leitch Memorial "Theotracs" Fund	17,969	5,668	(2,000)	-	21,637
Others in Nepal	5,977	6,011	(10,716)	-	1,272
Scholarship Fund	2,743	413	(2,743)	-	413
Member Related Funds					
Support fund	54,212	369,341	(242,583)	(98,487)	82,483
Operational reserve (support)	61,000	-	-	22,000	83,000
Home assignment reserve	80,800	-	-	(19,200)	61,600
Members pensions	46,000	-	(45,880)	-	120
Emergency repatriation reserve	15,000	-	-	15,000	30,000
Sabbatical reserve	15,000	-	-	-	15,000
INF Medical Scheme	-	-	-	10,000	10,000
Allocated to Members	-	-	-	32,500	32,500
Others					
Personal gifts	-	61,667	(61,667)	-	-
Members welfare fund	4	2,040	-	-	2,044
UK staff	159	30	(79)	-	110
Sponsored	-	1,856	(7,536)	5,680	-
	<u>310,799</u>	<u>1,101,796</u>	<u>(1,032,640)</u>	<u>(37,007)</u>	<u>342,948</u>

Note: The Support Fund transfer includes a transfer of £38,187 (2002 - £44,640) from support income to unrestricted funds.

INTERNATIONAL NEPAL FELLOWSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2003

19 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 16 July 2002 £	New designations £	Utilised released in year £	Transfers £	Balance at 30 June 2003 £
Operational reserve (general)	44,000	-	-	37,500	81,500
Property reserve	336,000	-	(6,708)	-	329,292
UK development fund	18,500	-	-	(18,500)	-
Emergency repatriation fund	100,000	-	-	(22,000)	78,000
Gift to Nepal	16,000	-	(16,000)	-	-
Nepal Church History fund	2,300	-	(2,300)	-	-
INF work in Nepal and Internationally	-	-	-	75,000	75,000
	<u>516,800</u>	<u>-</u>	<u>(25,008)</u>	<u>72,000</u>	<u>563,792</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 current market value the property at 69 Wentworth Road.

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

20 RELATED PARTY TRANSACTIONS

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

21 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2003**

21. RESERVES POLICY (continued)

Property reserve

Property is in the balance sheet at a net book value of £336,000. 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.