

Company Number: 1047178

3060972

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**FINANCIAL STATEMENTS**

**30 JUNE 2008**

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**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

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**INTERNATIONAL NEPAL FELLOWSHIP**  
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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008**

The trustees present their report along with the financial statements of the charity for the period ended 30th June 2008. 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 principal address of INF/UK is 69 104-106 Hagley Road, Edgbaston, Birmingham. B16 8LT. This is also the registered address of the company.

Board of Trustees:

Mr Andrew Gammie	(Chair)
Mr Peter Bruce	
Miss Alison Craven	(appointed January 2008)
Mr David Dixie	
Dr Elizabeth Forbes – Stone	(resigned January 2008)
Dr David Halpin	
Mrs Sarah Hay	
Rev Anthony Leighton	(vice-Chair)
Miss Diane Norton	
Dr Jan Parker	(resigned July 2008)
Mr Peter Parslow	(resigned December 2008)
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 <sup>th</sup> Floor Phoenix House	Pearl Assurance House
Newhall Street	4 Temple Row
Birmingham	Birmingham
B3 3NH	B2 5HG

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

Bankers

Bank of Scotland  
55 Temple Row  
Birmingham, B2 5LS

The Co-operative Bank  
1st Floor  
118-120 Colmore Row  
Birmingham, B3 3BA

**2. Structure, Governance and Management**

INF/UK is governed by its Memorandum and Articles of Association and the board of trustees of INF/UK is 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, two independent co-optees, and the CEO.

The Chair monitors the skills mix, experience and length of service of trustees. 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. The Chair manages the board profile proactively to ensure that a balance is maintained and that it does not become stale. Natural turnover of trustees aids this process, ensuring new trustees are appointed on a regular basis.

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 and risk management. New assurance covering personnel is to be started shortly. 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.

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

**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.*

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 55 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. This contract runs until November 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***

i. 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.

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

The number of seconded personnel with INF/W and INF/N has fallen, which is in part a consequence of decisions taken in 2005. The board are though concerned with the fact that fewer candidates are putting themselves forward for service and have committed greater resources to recruitment of mission partners during 2008-2009.

The board are conscious that the above decline might represent a fundamental change in the environment and are conscious that this might lead to a change in strategic emphasis in the future.

- Providing pastoral support to its seconded personnel.

This element of INF/UK's work has been strengthened through the addition of Rev Tony Leighton, who undertakes regular visits to field based members on an annual basis.

- Fund raising for INF/N and INF/W projects and programmes continues to be a key element of INF/UK's work. A major new application has been submitted to DFID to support INF/N's work with migrants in Nepal. An initial concept paper was accepted and a full application has been submitted. The outcome of this is not anticipated until March 2009.
- 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.

Planning has started for a conference in Germany in 2009 aimed at supporters from 10 European countries. A network approach is being adopted with an organising committee drawn from 4 of these countries. It is hoped that approx 200 supporters will attend the three day conference.

- Supporting two Nepali outreach workers working with Nepalis resident in the UK.

This is an important new initiative. The board has been very pleased with the way that these two workers have been accepted by Nepali communities in the UK. Enabling this work will be a core part of INF/UK's strategy in the coming years.

- Acting on behalf of INF/N and INF/W in strengthening relationships with a number of UK and European based partner agencies.
- Extending the worldwide support base for the INF family of organisations through supporting other INF organisation bodies.

- 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 continued to be a core focus for fund raising through 2007-08. This campaign was also being used to build the number and involvement of supporters.

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

*(b) INF Worldwide*

i Personnel

Executive Director, Dr. David Stevens, was in place throughout 2007/08, guiding the organisation in delicate negotiations for gratis visas for INF workers. These negotiations were successful and led to a commitment from the Government of Nepal to alter the law so that other INGOs could benefit from similar arrangements.

ii Board

The board continued to have a good mix of skills and experience throughout the year.

iii Organisational

INF North America was established towards the end of 2007 and is functioning well. Fund raising has been slow but the limited resources have nonetheless been well used. An unexpected opportunity arose through the migration of many refugees from Bhutan. INF North America has taken a proactive approach in befriending those settling in America.

iv Government Relationships

These continued to be good through out the year.

v INF/W Programmes

*Support of INF Nepal*

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

*Diaspora*

During 2007 a "Safer Migration" programme was started in partnership with INF/N focussed on Nepali migrants in the north west of India. INF/W's involvement in this reduced during 2008 due to resource limitations. INF/UK is working closely with INF Nepal to support the element of this work that takes place within Nepal. During 2008 INF/UK submitted a funding application for £380,000 to the Department for International Development in the UK to support this programme.

Resource limitations meant that further development of the research on girl trafficking was not possible; however, elements of this have been incorporated into the Safer Migration programme.

INF/W 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.

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

*Partnership Programme*

This programme is designed to provide assistance to government and non-government health institutions and development organisations. Its coverage is being reduced and it seems likely that this will be phased out in 2009.

*Faith @ Work*

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

(c) INF Nepal

- i. 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 350 Nepalis and on average 20 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.

- ii. Programmes

INF/N works through six programmes based in the districts of 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 raising awareness.

**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.



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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

**5. Significant events during the current year**

*(a) Political situation*

The majority of INF's work takes place in Nepal. Political progress was made during the year following the ending of the Maoist insurgency. The Communist Party of Nepal (Maoists) has joined the political process and participated fully in the General Elections in April 2008. Its leader Pushpa Kamal Dahal-Prachand, was declared Prime Minister on 15<sup>th</sup> August 2008. While the CPN has emerged as the largest party it does not have a working majority. Its ability to govern effectively is limited and Nepal's political process remains fragile.

A number of ethnic and political groups in Nepal, particularly in the south on the Terai, continue to agitate for greater local autonomy and influence in national politics. Ad hoc strikes have continued together with violence to advance their cause.

The political uncertainty is expected to continue through the coming year.

*(b) Contingent liability*

The Charity purchased 69 Wentworth Road in 1986 with the aid of an interest free loan from The Norman Quick Christian Foundation. The terms of the loan included an agreement to repay an amount equivalent to 25% of the sale proceeds should the property ever be sold. This represented a Contingent liability which has been reported in every set of accounts since 1986.

During the financial year the Directors became aware that The Norman Quick Christian Foundation had been wound up. Legal advice was sought from Anthony Collins who confirmed that the loan could be treated as a grant. Contact was made with the sole surviving trustee who confirmed in writing that the loan should be treated as a gift. The Contingent liability reported in previous accounts and Directors Reports ceases to exist.

*69 Wentworth Road*

A sale of the charity's property at 69 Wentworth was achieved in March 2008 at £790,000. The trustees consider this to be an exceptionally good outcome given an earlier sale, negotiated at the height of the property market in 2007, fell through at this same level.

*(c) 104-106 Hagley Road*

During January 2008 the charity relocated to rented premises at 104-106 Hagley Road, Edgbaston, Birmingham. The lease is a five year lease; a break clause may be triggered after 12 months and at three months' notice thereafter.

**6. Financial activities**

During the year, total incoming resources were marginally up at £1,076,594 (2007 -£1,072,470). Total expenditure was also up at £1,236,116 (2007 - £928,469).

*(a) General Fund*

Total income on the General Fund was £235,025 compared to last year's figure of £292,892. This is 20% down on 2007. The largest elements of this were a fall of £40,000 in legacy income and £14,000 in general

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donations. The fall in general donations is particularly concerning.

**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

*(b) Designated Nepal*

Income for Nepal, excluding the support fund, was £544,389 (£401,389), up 35.6%.

Gifts to Nepal and INF internationally were £660,247 (£432,959).

*(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 fall of 25% from £360,770 to £270,021 reflecting the lower number of members on the field.

The balance on Support Fund has grown during the year. This is expected to fall during 2008-2009 for two reasons.

- i. The exchange rate between sterling and the Nepal rupee has moved against INF/UK, pushing its costs up without a commensurate increase in income.
- ii. A substantial increase in allowances has been granted to offset the significant increase of basic living expenses in Nepal over the past two years. A commitment has been made to members that, despite the increase in costs to INF/UK, support targets will not be increased for two years. The board believe that the size of the Support Fund is sufficient to cover this commitment.

*(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 covered the full five-year period.

The EU's auditors were of the opinion that approximately €140,000 of the moneys received over the five year contract period had been used for non qualifying purposes. This figure was subsequently increased to €274,200.

INF/UK raised specific reserves of £95,000 and held a commitment from INF Nepal to provide a further amount of €98,000. The remainder liability (approx €70,000) was covered by General Reserves.

INF/UK vigorously disputed the auditor's findings; it also disputed the EU's interpretation of the contract.

In September 2008 the EU conceded that INF/UK's interpretation of the contract was correct. They also conceded that the disputed elements of expenditure were in fact allowable. The EU's claim against INF/UK was reduced in November 2008 from €274,200 to just €40,260. INF had already acknowledged that there had been an under spend of funds received and have been trying to establish the figure for nearly 3 years.

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This lower figure is well within expectations.

**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

INF/UK is awaiting final confirmation that the contract has been closed in the EU's books. On notification of this the specific liability of £95,000 will be written back to General Reserves.

**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 2008 for General Operational Reserve was £132,250 equating to 5 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 fund holding as at 30th June 2008 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.

*(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 Salt Insurance. INF's in-house medical scheme continues, providing a lesser level of cover to include costs that fall outside of the Salt scheme e.g. costs up to the excess figure, maternity costs and inoculations in Nepal. A reduced reserve of £10,000 is considered appropriate.

*(e) Sabbatical Reserve*

Two sabbaticals have been provided during the year, one will run until December 2008, the other until August 2009. A further sabbatical of 7 months will be granted in 2009. Sufficient reserves are held in the reserve to fund all of these.

*(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 £22,455. 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 disbursed.

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

*(g) 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.

*(h) 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/UK is awaiting final confirmation that the contract has been closed in the EU's books. On notification of this the specific liability of £95,000 will be written back to General Reserves.

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

Grants totalling £117,500 were released towards the work of INF in Nepal and internationally.

*(j) 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.

**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.

Given the turmoil in the banking sector during 2008 the trustees decided to lessen their exposure to Bank of Scotland, which was one of the most vulnerable banks, by opening an account with the Cooperative Bank and transferring substantial funds to it. These funds are held on a 6 month term deposit.

The board believe that, through their actions, they have achieved an acceptable balance of risk and reward.

The board recognise that the income anticipated from the deposits it holds will be severely impacted by falling interest rates during 2009.

Work has commenced on a socially responsible investment policy.

**9. Post balance sheet events**

*EU contract*

Note 6.d. above refers to the EU contingent liability in respect of INF's TB and Leprosy contract with the EU.

INF/UK is awaiting final confirmation that the contract has been closed in the EU's books. On notification of this the specific liability of £95,000 will be written back to General Reserves.

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**TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2008 (continued)**

**10. Plans for the future**

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. A detailed operational plan was put in place for 2008/09. This is linked closely to a new staff appraisal system incorporating personal objectives linked to the operational plan.

**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 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.

**13. Information to Auditors**

Each Trustee of the Charity at the date when this report was approved (who also are treated as Directors for the purposes of Company law):

- so far they are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Charity's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information (as defined) and to establish that the Charity's auditors are aware of that information.

**14. Voluntary help and gifts in kind**

The board are very grateful to a number of volunteers who have helped 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

## **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 2008 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.

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

### **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 2008 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.

*Muzar LLP*

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

*6 February 2009*

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Unrestricted funds		Restricted funds	Total 2008	Total 2007
		General funds	Designated funds			
		£	£	£	£	£
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generated funds</b>						
<i>Voluntary income</i>						
Grants		-	-	-	-	-
Gifts to Nepal		-	-	544,389	544,389	401,389
Member support funds		-	-	270,021	270,021	360,770
Others		-	-	27,159	27,159	17,419
Sponsorship	3	8,605	-	-	8,605	-
General donations		139,761	-	-	139,761	153,443
Legacies		19,618	-	-	19,618	60,357
Appeals		-	-	-	-	17,139
Contribution to printing		2,530	-	-	2,530	5,513
Volunteer income		350	-	-	350	-
<i>Investment income</i>						
Interest & dividends receivable	9	53,286	-	-	53,286	47,782
		<u>224,150</u>	<u>-</u>	<u>841,569</u>	<u>1,065,719</u>	<u>1,063,812</u>
<b>Charitable activities</b>						
Conference fees		9,341	-	-	9,341	8,510
Trading income		1,534	-	-	1,534	148
		<u>10,875</u>	<u>-</u>	<u>-</u>	<u>10,875</u>	<u>8,658</u>
<b>TOTAL INCOME</b>		<u>235,025</u>	<u>-</u>	<u>841,569</u>	<u>1,076,594</u>	<u>1,072,470</u>
<b>RESOURCES EXPENDED</b>						
<b>Cost of generating funds</b>						
<i>Costs of generating voluntary income</i>						
	15	40,078	-	-	40,078	-
Purchases and conference		13,584	-	-	13,584	13,277
		<u>53,662</u>	<u>-</u>	<u>-</u>	<u>53,662</u>	<u>13,277</u>
<b>Charitable activities</b>						
Gifts to Nepal and INF internationally		-	117,500	-	117,500	20,000
Designated for specific gifts		-	-	542,747	542,747	412,959
Member support funds	4	-	-	159,475	159,475	161,424
Other member related funds		-	-	50,907	50,907	79,333
Others		-	-	25,704	25,704	16,080
Sponsorship	3	24,063	-	-	24,063	-
Funds remitted to Nepal		-	-	-	-	-
<i>Support costs</i>						
Personnel	16	154,251	-	-	154,251	146,692
Premises		11,390	-	-	11,390	7,285
Utilities		2,060	-	-	2,060	4,265
Office costs		21,107	-	-	21,107	8,437
Communications		14,918	-	-	14,918	17,776
Publicity/promotional		20,550	-	-	20,550	12,917
Recruitment		3,750	-	-	3,750	1,740
Depreciation	16	2,842	-	-	2,842	17,650
	15	<u>254,931</u>	<u>117,500</u>	<u>778,833</u>	<u>1,151,264</u>	<u>906,558</u>

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Unrestricted funds			Total 2008 £	Total 2007 £
		General funds £	Designated funds £	Restricted funds £		
<b>Charitable activities (continued)</b>						
<b>Governance costs</b>	5	31,190	-	-	31,190	8,634
		<u>31,190</u>	<u>-</u>	<u>-</u>	<u>31,190</u>	<u>8,634</u>
<b>TOTAL EXPENDITURE</b>		<u>339,783</u>	<u>117,500</u>	<u>778,833</u>	<u>1,236,116</u>	<u>928,469</u>
<b>NET (EXPENDITURE)/ INCOME</b>		<u>( 104,758)</u>	<u>( 117,500)</u>	<u>62,736</u>	<u>( 159,522)</u>	<u>144,001</u>
Transfer between funds		55,936	(40,400)	(15,536)	-	-
Profit on sale of property		-	6,000	-	6,000	-
(Loss)/gain on investments		(4,162)	-	-	(4,162)	2,281
<b>NET MOVEMENT</b>		<u>(52,984)</u>	<u>(151,900)</u>	<u>47,200</u>	<u>(157,684)</u>	<u>146,282</u>
Brought forward		<u>59,494</u>	<u>1,158,589</u>	<u>565,267</u>	<u>1,783,350</u>	<u>1,637,068</u>
<b>CARRIED FORWARD</b>		<u><u>6,510</u></u>	<u><u>1,006,689</u></u>	<u><u>612,467</u></u>	<u><u>1,625,666</u></u>	<u><u>1,783,350</u></u>



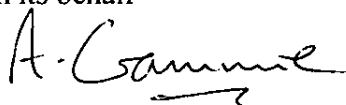
**INTERNATIONAL NEPAL FELLOWSHIP**  
(A company limited by guarantee)

**BALANCE SHEET AT 30 JUNE 2008**

	Note	General funds £	Designated funds £	Restricted funds £	Total 2008 £	Total 2007 £
<b>Fixed assets</b>						
Tangible assets	10	12,070	-	-	12,070	787,328
Investments	11	28,905	-	-	28,905	33,067
		<u>40,975</u>	<u>-</u>	<u>-</u>	<u>40,975</u>	<u>820,395</u>
<b>Current assets</b>						
Stock of literature	12	200	-	-	200	353
Debtors and prepayments	13	9,403	-	-	9,403	11,147
Cash at bank and in hand		325,024	1,006,689	612,467	1,944,180	1,235,170
		<u>334,627</u>	<u>1,006,689</u>	<u>612,467</u>	<u>1,953,783</u>	<u>1,246,670</u>
<b>Creditors: amounts falling due within one year</b>						
Creditors and accrued charges	14	(87,282)	-	-	(87,282)	( 79,655)
Grant money refundable	14	(281,810)	-	-	(281,810)	( 204,060)
		<u>( 34,464)</u>	<u>1,006,689</u>	<u>612,467</u>	<u>1,584,691</u>	<u>962,955</u>
<b>Net current assets</b>		<u>( 34,464)</u>	<u>1,006,689</u>	<u>612,467</u>	<u>1,584,691</u>	<u>962,955</u>
<b>Total net assets</b>		<u><b>6,510</b></u>	<u><b>1,006,689</b></u>	<u><b>612,467</b></u>	<u><b>1,625,666</b></u>	<u><b>1,783,350</b></u>
<b>Funds</b>						
Restricted income funds	18	-	-	612,467	612,467	565,267
Designated income funds:	19					
Property	10	-	776,000	-	776,000	784,000
Other		-	230,689	-	230,689	374,589
General reserve		6,510	-	-	6,510	59,494
		<u>6,510</u>	<u>1,006,689</u>	<u>612,467</u>	<u>1,625,666</u>	<u>1,783,350</u>

Approved by the Board on 24 January 2009  
and signed on its behalf

A Gammie



  
S Hay

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 three main charitable activities (support of missionary workers, INF Nepal and INF Worldwide) 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**

	2008 £	2007 £
Wages and salaries	151,118	125,358
Social security costs	11,789	8,781
Other pension costs	9,095	7,824
Courses, travel and other	9,468	4,729
	<hr/>	<hr/>
	181,470	146,692
	<hr/>	<hr/>
Average number of employees/volunteers on home assignment:		
Management	1	1
Administration	6	7
Volunteers on home assignment	11	12
Sponsored Nepalis	2	-
	<hr/>	<hr/>
	20	20
	<hr/>	<hr/>

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 £	2007 £
<b>3 SPONSORSHIP</b>		
Income and donations	8,605	-
Less: Costs	( 24,063)	-
	<u>          </u>	<u>          </u>
	( 15,458)	-
	<u>          </u>	<u>          </u>
<b>4 MEMBERS' SUPPORT COSTS</b>		
<b>(1) UK Costs</b>		
Equipment and allowances	11,646	11,000
Social security	2,887	5,950
Other pension costs	46,355	48,062
Welfare fund	12,454	20,459
Other expenses		
<b>(2) Remitted to Nepal</b>		
Support and related costs	86,133	75,953
	<u>          </u>	<u>          </u>
	159,475	161,424
	<u>          </u>	<u>          </u>
<b>5 GOVERNANCE COSTS</b>		
Miscellaneous	1,950	725
Legal and statutory	23,559	1,090
Trustee expenditure	1,502	1,119
Trustee Nepal costs	833	-
Audit fee	3,346	5,700
	<u>          </u>	<u>          </u>
	31,190	8,634
	<u>          </u>	<u>          </u>
<b>6 NET MOVEMENT IN RESOURCES FOR THE PERIOD</b>		
The net movement in resources for the period is stated after charging:		
Depreciation of owned tangible fixed assets	3,343	17,650
Audit fee	3,346	5,700
	<u>          </u>	<u>          </u>

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 2008, support income included an amount of £14,556 (2007 £19,820), 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 £1,503 (2007 £1,118).

**9 OTHER INTEREST RECEIVABLE  
AND SIMILAR INCOME**

	2008 £	2007 £
Bank interest	51,221	42,770
Dividends	2,065	5,012
	<u>53,286</u>	<u>47,782</u>

**INTERNATIONAL NEPAL FELLOWSHIP**  
**(A company limited by guarantee)**

**FOR THE YEAR ENDED 30 JUNE 2008**

**10 FIXED ASSETS**

	Freehold property £	Computer equipment and software £	Total £
<b>Cost or valuation</b>			
At 1 July 2007	800,000	4,873	804,873
Additions	-	12,085	12,085
Disposals	( 800,000)	-	( 800,000)
	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2008	<u>          </u> -	<u>          </u> 16,958	<u>          </u> 16,958
<b>Depreciation</b>			
At 1 July 2007	16,000	1,545	17,545
Charge for the year	-	3,343	3,343
Disposals	( 16,000)	-	( 16,000)
	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2008	<u>          </u> -	<u>          </u> 4,888	<u>          </u> 4,888
<b>Net book value</b>			
At 30 June 2008	<u>          </u> -	<u>          </u> 12,070	<u>          </u> 12,070
At 30 June 2007	<u>          </u> 784,000	<u>          </u> 3,328	<u>          </u> 787,328

The freehold property at 69 Wentworth Road, Harborne, Birmingham, was sold in March 2008 for £790,000.

	2008 £	2007 £
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**11 INVESTMENTS**

Charinco Common Investment Fund:		
Market value at beginning of year	33,067	30,786
Unrealised (loss)/gain during the year	(4,162)	2,281
	<u>          </u>	<u>          </u>
Market value at end of year	<u>          </u> 28,905	<u>          </u> 33,067

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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

	2008 £	2007 £
<b>12 STOCKS</b>		
Goods for resale	<u>200</u>	<u>353</u>
<b>13 DEBTORS AND PREPAYMENTS</b>		
Other debtors and prepayments	<u>9,403</u>	<u>11,147</u>
	<u>9,403</u>	<u>11,147</u>
There are no debtors falling due after more than one year.		
<b>14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
Funds held for Nepal	58,304	26,635
Taxation and social security	3,673	3,548
Accruals and deferred income	<u>25,305</u>	<u>49,472</u>
	<u>87,282</u>	<u>79,655</u>
Grant money refundable	<u>281,810</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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**15 CHARITABLE ACTIVITIES**

	Activities directly undertaken	(Note 17) Grant Funding	(Note 16) Support Costs	2008 Total	2007 Total
	£	£	£	£	£
Support of missionary workers	210,382	-	93,518	303,900	349,138
Support of INF Nepal	-	-	68,675	68,675	-
Support of INF Worldwide	-	-	68,675	68,675	-
Support of INF Internationally	-	710,014	-	710,014	557,420
	<u>210,382</u>	<u>710,014</u>	<u>230,868</u>	<u>1,151,264</u>	<u>906,558</u>
Fund raising	-	-	40,078	40,078	-
	<u>210,382</u>	<u>710,014</u>	<u>270,946</u>	<u>1,191,342</u>	<u>906,558</u>

**16 SUPPORT COSTS**

Activity	Support of missionary workers	Support of INF Nepal	Support of INF Worldwide	Support Total	Fund Raising	2008 Total	2007 Total
	£	£	£	£	£	£	£
Personnel (note 2)	63,515	45,368	45,368	154,251	27,219	181,470	146,692
Premises	4,690	3,350	3,350	11,390	2,010	13,400	7,285
Utilities	848	606	606	2,060	363	2,423	4,265
Office costs	8,691	6,208	6,208	21,107	3,725	24,832	8,437
Communications	6,142	4,388	4,388	14,918	2,633	17,551	17,776
Publicity/ promotion	8,462	6,044	6,044	20,550	3,627	24,177	12,917
Recruitment	-	1,875	1,875	3,750	-	3,750	1,740
Depreciation (note 10)	1,170	836	836	2,842	501	3,343	17,650
	<u>93,518</u>	<u>68,675</u>	<u>68,675</u>	<u>230,868</u>	<u>40,078</u>	<u>270,946</u>	<u>216,762</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 15%, 35%, 25% and 25% between fund raising, the support of missionaries, support of INF Nepal and support of INF Worldwide as they believe this reflects the division of costs incurred by the charity.

**17 ANALYSIS OF GRANTS**

	Grants to Individuals	Grants to Institutions	2008 Total	2007 Total
	£	£	£	£
Fund raising	-	-	-	-
Support of missionary workers	-	-	-	-
Support of INF Nepal	-	-	-	-
Support of INF Worldwide	-	-	-	-
Support of INF Internationally	-	710,014	710,014	449,039
	<u>-</u>	<u>710,014</u>	<u>710,014</u>	<u>449,039</u>



**INTERNATIONAL NEPAL FELLOWSHIP**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**18 RESTRICTED FUNDS**

	Brought forward £	Donations and gifts £	Charitable expenditure £	Transfers £	Carried forward £
<b>Grants</b>					
TB and Leprosy Project	570	-	-	-	570
Security appeal	3,837	-	-	( 2,877)	960
<b>Gifts to Nepal</b>					
Designated Nepal	-	526,479	( 526,479)	-	-
Seconded workers	-	14,260	( 14,260)	-	-
Theotracs (Scholarship)	-	485	( 485)	-	-
Others in Nepal	-	1,422	( 1,422)	-	-
Gordon Leitch Memorial Fund	26,541	1,352	-	-	27,893
Camps	86	391	( 100)	-	377
<b>Member Related Funds</b>					
Support fund	145,045	270,021	( 159,474)	(60,006)	195,586
Emergency repatriation reserve	114,000	-	-	-	114,000
Home assignment reserve	70,000	-	( 49,997)	49,997	70,000
INF Medical Scheme	10,000	-	( 910)	910	10,000
Operational reserve (support)	132,000	-	-	-	132,000
Sabbatical reserve	42,000	-	-	( 3,560)	38,440
<b>Others</b>					
Members welfare fund	20,895	1,560	-	-	22,455
Personal gifts	-	21,627	( 21,627)	-	-
Volunteers	-	3,805	( 3,805)	-	-
UK staff	293	167	( 274)	-	186
	<u>565,267</u>	<u>841,569</u>	<u>( 778,833)</u>	<u>(15,536)</u>	<u>612,467</u>

Note: The Support Fund transfer includes a transfer of £14,556 (2007 £19,820) from support income to unrestricted funds.

**INTERNATIONAL NEPAL FELLOWSHIP**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**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 1 July 2007 £	New designations £	Utilised/ released in year £	Transfers £	Balance at 30 June 2008 £
Operational reserve (general)	132,250	-	-	-	132,250
Property reserve	784,000	6,000	-	( 14,000)	776,000
INF work in Nepal and Internationally	147,339	-	( 117,500)	(26,400)	3,439
EU Repayment reserve	95,000	-	-	-	95,000
	<u>1,158,589</u>	<u>6,000</u>	<u>( 117,500)</u>	<u>(40,400)</u>	<u>1,006,689</u>

**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 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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

**22. RESERVES POLICY (CONTINUED)**

**Property reserve**

The property reserve represents the sale proceeds of 69 Wentworth Road after deduction of agents costs and solicitors fees. The Directors have decided to maintain a property reserve as they anticipate purchasing a property for Charitable use in the future.

**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.