

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

**FINANCIAL STATEMENTS**

**15 JULY 2002**



**BIR** **38KHSIFM** **0389**  
**COMPANIES HOUSE** **13/02/03**

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

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**15 JULY 2002**

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

**COMPANY INFORMATION**  
**15 JULY 2002**

COMPANY NUMBER:

3060972

CHARITY NUMBER:

1047178

DIRECTORS:

Mr Peter Rowe (Chairman)  
Mr John Bradley  
Mr Robert Cranston  
Dr Elizabeth Forbes - Stone  
Dr David Halpin  
Rev Anthony Leighton  
Dr Sarah Meanley  
Dr Jan Parker  
Mr Peter Parslow (appointed 25.5.02)  
Rev John Putman  
Mr Alexander Swarbrick  
Mr Richard Sykes (appointed 25.5.02)

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 plc  
55 Temple Row  
Birmingham  
B2 5LS

## INTERNATIONAL NEPAL FELLOWSHIP

( A company limited by guarantee)

### DIRECTORS REPORT

The Directors present their report along with the financial statements of the charity for the year ended 15<sup>th</sup> July 2002. 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 and policies

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, an International Non Government Organisation (INGO) registered in Nepal (for the remainder of this report we shall refer to the separate organisations as INF (UK), and INF (Nepal) to aid understanding). The practicalities of this partnership are based on a relationship that has existed between the two organisations for over 50 years, and a formal partnership agreement 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 specific strengths in the areas of Leprosy control, and Tuberculosis control.

INF is a Christian organisation. Its distinctive ethos, and the values that accompany this, form the bedrock of its mission to serve the poor and marginalised peoples of Western Nepal. Because of this INF (Nepal) reserves the right to recruit only Christian expatriate members. Because of this INF (UK) is only able to recruit Christian expatriate volunteers to serve in Nepal.

INF workers are rightly proud of the positions of trust they occupy as a result of the nature of their work, and take great care to avoid any accusation of abuse of trust through proselytising. This is balanced with INF's wider vision of identifying with, and upholding the national church and wider Christian community within Nepal, something it undertakes with great sensitivity and respect for the religions of its host country.

INF (UK) fulfils its charitable objectives by providing services and resources to INF (Nepal). These include finance for projects & programmes (including securing overseas aid contracts with the European Union, and the Department for International Development.); recruiting volunteer personnel, who work within INF (Nepal)'s projects and programmes; and publicity. It also services a diverse network of supporters within the UK, and acts on behalf of INF (Nepal) in strengthening relationship with a number of other UK and European based partner agencies.

#### 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, as defined under the Charities Act. The board meets on average four times a year.

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**DIRECTORS REPORT (CONTINUED)**

Executive authority for the day to day management and direction of the organisation is delegated to the Executive Director. Two committees support the Executive Director, an 'Executive Committee' - comprising the Executive Director, Chairman, Vice-Chairman, and one other board member; and a 'Finance Committee' comprised the Executive Director and three board members.

During the current year the board instituted a number of 'Assurances'. These are internal audit functions and presently cover the areas of Finance, Recruitment, and Risk Management. A Director, or other qualified person, fulfils these functions. The 'Assurance' functions act on behalf of, and report direct to the board.

**Significant events during the current year**

During the current year INF, both in Nepal and in the UK, celebrated 50 years of service to Nepal. This is a significant milestone and the Directors wish to record their thanks to God for His blessing and goodness throughout this period. They also wish to record their thanks to the many thousands of people who have upheld the work of the Fellowship in prayer, and who have supported it financially.

Despite the year being one of celebration for INF as an organisation it has been tinged with great sadness for the country as a whole.

There has been a Maoist insurgency in Nepal since 1996; their goal is the removal of the elected government, which would be replaced by a 'peoples government'. Their main tactic since 1996 has been a violent insurgency aimed at institutional targets, including members of the police and security forces, and political figures. The severity and extent of the insurgency has grown through the intervening period, and most districts of Nepal are now affected to one degree or another. The government of Nepal responded by employing the army, in addition to the police force, to control the situation.

At the end of July 2001 the Government of Nepal agreed a cease-fire with the Maoists, and their activity fell away to a degree. This state of affairs was shattered on 23<sup>rd</sup> November 2001 when the Maoists attacked a police and army post in Ghorahi. This attack took place next to INF (Nepal)'s TB clinic. The government response was to formally send in the army to strengthen existing police activity, a state of emergency was declared.

The depth of violence has increased significantly since November 2001, with the death toll in the 12 months to July 2002 being almost equal to the sum of the previous 5 years. There have been reports of human rights violations on both side and a great many ordinary Nepalis are now directly affected, either by the activities of the Maoists or the activities of the security forces

A direct effect of the change in tempo of the violence has been felt in the development sector, with many agencies pulling back from field activities and regressing to urban centres. Much of INF (Nepal)'s work is in the West of Nepal, and in particular in the Mid-West, which contains some of the most severely affected districts in Nepal. Despite INF (Nepal) having to curtail some aspects of its work it remains active in most of its field areas and is now one of a handful of INGO's still active in the rural Mid-West.

One result of the increased conflict, and rising uncertainty, has been an increase in the number of displaced peoples within Nepal - internal refugees. INF (UK) has sought to make this problem known both within its supporter base, and within UK government circles.

In addition to the deteriorating security position within Nepal changing world events during the year saw the heightening of tensions between Pakistan and India. While Nepal was not directly impacted by this situation it did contain the threat of closing air access to Nepal. INF has had to take into its calculations the potential impact of this in conjunction with the deteriorating security position within Nepal. The board of INF (UK) believe it prudent to increase the levels of emergency reserve held as they judge the risk to its operations to have grown significantly through the year.

**INTERNATIONAL NEPAL FELLOWSHIP**  
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**DIRECTORS REPORT (CONTINUED)**

During the current year the Government of Nepal has been seeking consultations with the development community in advance of introducing a 'Non-Governmental Social Development Organisations Act'. This act is now in its 12<sup>th</sup> draft. If implemented it could have a significant impact on the work of INF (Nepal), as it would not permit an International NGO to be an implementing organisation with its own projects and programmes. As a precursor to this a new Foreign Aid Policy has been approved which contains similar provisions. INF (Nepal) believes that the Government will honour its current 5-year agreement, and in anticipation of future changes is reviewing its operations and structure. Active steps are being taken to facilitate local NGOs to which much of INF's work could be devolved. This is a long-term process and could take several years.

In the face of growing uncertainties INF (UK) remains committed to supporting INF (Nepal). A review of its future strategy has taken place and been formulated into a 4-year plan, which is under constant review. Additionally steps have been taken to strengthen relationships and communications with INF (Nepal) to ensure that INF (UK) remains relevant in its activities to the needs of INF (Nepal).

Subsequent to the year-end a major development came in October 2002. Following the postponement of government elections the King of Nepal dismissed the elected government, and installed a government of his choosing. It is too early to know the effect this might have on Nepal's future.

**Financial activities**

During the year, the charity raised a little over £1.3 million from the general public, governments and other agencies, with a comparable sum spent in the current year.

As shown in the restricted funds column in the Statement of Financial Activities, £1.1 million of income was for projects, programmes or related activities of INF (Nepal), including volunteer personnel. Expenditure on these items during the year was £1.08 million. Included within these figures is approximately £225,000, due, but not received from the European Union as at the year end. This is included as both a Debtor and Creditor in the Balance Sheet of the Charity.

Excluding finance for volunteers, INF (UK) supplied approximately £677,500 for the direct work of INF (Nepal) i.e. its projects, programmes and related activities. This represents an increase of £98,548 or 17% over the previous year. The bulk of this increase though is a result of higher income from the EU. This masks a decline in other giving. Leaving aside EU funding, giving has fallen from £373,400 to £281,000. A reduction of nearly 25%.

The volunteers recruited by INF (UK) raise funds toward the cost of maintaining them in Nepal and on Home Assignment from church groups, trusts and personal supporters, many of which represents friendship contacts from their church groupings. Those serving for a period of three years or more are set a target and the moneys raised go into a Support fund, from which all costs attributable to their service, such as allowances, air fares, pensions and such like, are paid. The support fund is in effect a pooled resource rather than a personalised one, 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, this is seen as a result of the improved training given to volunteers recruits over the past two years.

Looking to the future the Directors acknowledge the increasing competition for funding from the general public, including the Christian subsection of this. INF (UK) must continue to seek new and effective ways of communicating its mission to the public.

Costs attributable to the UK office totalled £159,000 compared to £151,500 in the previous year. In line with previous years the Directors retained the practice of showing costs spent within the UK office as 'other expenditure'. SORP now allows a number of these to be netted, or included under 'direct charitable costs'. The Directors estimate that a significant portion of these costs included under 'other expenditure' could be treated in this way and will review the desirability of a change in practice during the coming financial year. The bulk of the additional costs are in respect of a higher salaries figure. This is a result of a slight increase in personnel resource within the UK office, and modest annual salary increases.

## **INTERNATIONAL NEPAL FELLOWSHIP**

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### **DIRECTORS REPORT (CONTINUED)**

#### **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.

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 business. In response to this threat INF (UK) have reviewed their 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 this thrust has resulted in a reversal of the decline in recruitment, we are now seeking to build upon our past experiences. Additionally work is progressing to re-design the recruitment process, and achieve a more coherent advertising strategy for new recruits, these efforts will continue into the coming year.

Given its distinctive Christian ethos INF (UK) is cognisant that changes within UK and European employment law will potentially impact on its business of recruitment. It is taking steps to ensure that its policies and practices do not detract from its core ethos, whilst at the same time ensuring that they are compliant with changing legislation.

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.

Historically INF (UK) have only handled volunteers seen as 'Long Term' members, i.e. those looking to serve for a period of three or more years. Volunteers from the UK seeking to serve for shorter periods have contacted, and been dealt with by INF (Nepal). During the course of the current year the decision was taken for short-term volunteers recruitment activity to pass to INF (UK). Appropriate procedures have been drawn up and implemented, and work has started on a formal Code of Practice for short-term volunteers. The ultimate goal of a quality short-term volunteer programme is to encourage some short-term volunteers into becoming long term volunteers.

As at the year-end INF (UK) had 37 adult volunteers with INF (Nepal), with a further 12 accepted and due to join them in the near future.

#### **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.

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**DIRECTORS REPORT (CONTINUED)**

**Reserves policy**

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

- i. *Operational Reserves* which covers fluctuations in income required to fund the INF (UK) Headquarters (Unrestricted fund), and volunteer allowances (Support fund - Restricted). The amount held is based on 2.5 months worth of projected annual costs for each of these respectively.
- ii. *Home Assignment Reserves* representing 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, and keep them 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. They believe that maintaining reserves at the levels stated above, combined with the 'assurance' programme mentioned earlier provides sufficient resources in the event of adverse conditions.

**Directors**

The directors set out below held office during the whole of the period from 16 July 2001 to the date of this report (unless otherwise stated):

Mr Peter Rowe	(Chairman)
Mr John Bradley	
Mr Robert Cranston	
Dr Elizabeth Forbes - Stone	
Dr David Halpin	
Rev Anthony Leighton	
Dr Sarah Meanley	
Dr Jan Parker	
Mr Peter Parslow	(appointed 25 May 2002)
Rev John Putman	
Mr Alexander Swarbrick	
Mr Richard Sykes	(appointed 25 May 2002)
Mr Asbjorn Voreland	(resigned 15 July 2002)

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



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**DIRECTORS REPORT (CONTINUED)**

**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.

**Voluntary help and gifts in kind**

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

**Auditors**

Mazars have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

Signed on behalf of the board.



Peter Rowe (Chairman)

Seventh

December 2002

## **AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL NEPAL FELLOWSHIP**

We have audited the financial statement on pages 7 to 18 which have been prepared following the accounting policies set out on pages 11 and 12.

### **Respective responsibilities of the members of the Council of Management and auditors**

As described on page 7 the company's directors are responsible for the preparation of financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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. 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 director's remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 of the state of the charity's affairs at 15 July 2002 and of its incoming resources and application of resources for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Muran*

**MAZARS  
CHARTERED ACCOUNTANTS and  
Registered Auditors**

The Broadway  
Dudley  
West Midlands  
DY1 4PY

17/12/02

# INTERNATIONAL NEPAL FELLOWSHIP

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 15 JULY 2002

	Note	Unrestricted funds General funds £	Designated funds £	Restricted funds £	Total 2002 £	Total 2001 £
<b>INCOMING RESOURCES</b>						
General donations, etc	16	122,605	-	43,537	166,142	206,843
Contributions to printing		6,033	-	-	6,033	6,337
Support income		-	-	357,140	357,140	343,844
Designated Nepal and seconded workers		-	-	273,328	273,328	406,322
Members Welfare Fund		-	-	3,695	3,695	22,593
Grants receivable		25,073	-	396,445	421,518	224,058
Interest receivable	9	23,442	-	-	23,442	33,910
Income from literature and other sales		-	-	-	-	396
Conference fees		23,905	-	-	23,905	6,685
Gordan Leitch Memorial Fund		-	-	2,415	2,415	-
Designated Nepal – other		-	-	28,424	28,424	-
Designated UK staff		-	-	160	160	-
<b>TOTAL INCOMING RESOURCES</b>		<u>201,058</u>	<u>-</u>	<u>1,105,144</u>	<u>1,306,202</u>	<u>1,250,988</u>
<b>RESOURCES EXPENDED</b>						
Direct charitable expenditure:						
Purchases and conference costs		24,886	-	-	24,886	7,979
Members' costs UK	4	-	-	131,293	131,293	159,181
Grants payable to Nepal	20	-	-	452,309	452,309	152,780
Other funds remitted to Nepal	5	-	22,156	426,668	448,824	587,129
Designated Nepal – other		-	-	22,309	22,309	-
Designated UK staff		-	-	64	64	-
Fees payable		3,373	-	-	3,373	-
Member welfare fund		-	-	45,188	45,188	-
		<u>28,259</u>	<u>22,156</u>	<u>1,077,831</u>	<u>1,128,246</u>	<u>907,069</u>
Other expenditure:						
Communications		9,371	-	-	9,371	11,140
Stationery and supplies		12,279	-	-	12,279	11,043
Office and mission house		7,845	-	-	7,845	5,783
Publicity expenses		8,133	-	-	8,133	12,315
Personnel	3	106,862	5,500	-	112,362	96,923
Depreciation	11	5,592	7,000	-	12,592	11,854
Sundries		8,951	-	-	8,951	2,400
		<u>159,033</u>	<u>12,500</u>	<u>-</u>	<u>171,533</u>	<u>151,458</u>
<b>TOTAL RESOURCES EXPENDED</b>		<u>187,292</u>	<u>34,656</u>	<u>1,077,831</u>	<u>1,299,779</u>	<u>1,058,527</u>
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>						
	6	13,766	( 34,656)	27,313	6,423	192,461
Transfers from restricted to unrestricted funds	7	44,640	-	( 44,640)	-	-
<b>NET INCOMING/(OUTGOING) RESOURCES</b>		58,406	( 34,656)	( 17,327)	6,423	192,461
Net transfer between funds	17&18	( 74,201)	71,381	2,820	-	-
Unrealised (losses)/gains on investment assets		655	-	-	655	-
<b>NET MOVEMENT IN FUNDS</b>		( 15,140)	36,725	( 14,507)	7,078	192,461
<b>FUND BALANCES AT BEGINNING OF YEAR</b>		<u>162,663</u>	<u>480,075</u>	<u>325,306</u>	<u>968,044</u>	<u>775,583</u>
<b>FUND BALANCES AT END OF YEAR</b>		<u>147,523</u>	<u>516,800</u>	<u>310,799</u>	<u>975,122</u>	<u>968,044</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 15 JULY 2002

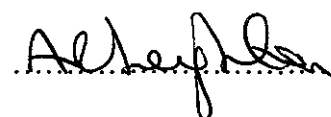
	Note	General funds £	Designated funds £	Restricted funds £	Total 2002 £	Total 2001 £
<b>Fixed assets</b>						
Tangible assets	11	8,148	336,000	-	344,148	349,801
Investments	12	12,063	-	-	12,063	11,408
		<u>20,211</u>	<u>336,000</u>	<u>-</u>	<u>356,211</u>	<u>361,209</u>
<b>Current assets</b>						
Stock of literature	10	353	-	-	353	353
Debtors and prepayments	13	246,913	-	-	246,913	61,319
Cash at bank and in hand		<u>144,520</u>	<u>182,956</u>	<u>380,248</u>	<u>707,723</u>	<u>665,059</u>
		391,786	182,956	380,248	954,989	726,731
<b>Creditors: amounts falling due within one year</b>						
Creditors and accrued charges	14	( 264,474)	( 2,156)	( 69,449)	( 336,078)	( 119,896)
<b>Net current assets</b>		<u>127,312</u>	<u>180,800</u>	<u>310,799</u>	<u>618,911</u>	<u>606,835</u>
<b>Total net assets</b>		<u>147,523</u>	<u>516,800</u>	<u>310,799</u>	<u>975,122</u>	<u>968,044</u>
<b>Funds</b>						
Restricted funds	17	-	-	310,799	310,799	325,306
Designated funds:	18					
Revaluation reserve	11	-	228,585	-	228,585	237,585
Other		-	288,215	-	228,215	242,490
General reserve		<u>147,523</u>	<u>-</u>	<u>-</u>	<u>147,523</u>	<u>162,663</u>
		<u>147,523</u>	<u>516,800</u>	<u>310,799</u>	<u>975,122</u>	<u>968,044</u>

Approved by the Board on 7<sup>th</sup> Dec 2002  
and signed on its behalf

P Rowe



A R Leighton



# INTERNATIONAL NEPAL FELLOWSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002

### 1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

#### **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 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 unrealised 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**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 15 JULY 2002**

**1 ACCOUNTING POLICIES (Continued)**

**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 INCOMING RESOURCES**

All of the incoming resources relate to the principal activity of the company. Grants receivable of £396,445 in 2002 were attributable to the EC, whilst the remainder of incoming resources were mainly attributable to the UK.

**3 STAFF COSTS**

	2002 £	2001 £
Wages and salaries	91,718	77,935
Social security costs	5,320	6,161
Other pension costs	6,087	6,978
Courses, travel and other	9,237	5,849
	<u>112,362</u>	<u>96,923</u>
 Average number of employees/volunteers on home assignment		
Management	1	1
Administration	5	5
Volunteers on home assignment	6	5
	<u>12</u>	<u>11</u>

# INTERNATIONAL NEPAL FELLOWSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002

### 4 MEMBERS COSTS UK

	2002 £	2001 £
Home leave allowances	45,115	20,417
Re-equipment allowances	6,371	3,746
Accommodation and travelling	7,928	22,601
Social security costs	6,241	7,469
Other pension costs	42,413	37,140
Welfare fund payments	-	64,001
Sabbaticals	940	-
Other expenses	22,284	3,807
	<u>131,293</u>	<u>159,181</u>

### 5 REMITTED TO NEPAL

Support	109,803	123,481
Special gift to Nepal	22,156	-
Designated Nepal - monies for specific projects	702,498	511,220
Seconded workers	23,139	35,047
Personal gifts	43,537	70,161
	<u>901,133</u>	<u>739,909</u>

### 6 NET MOVEMENT IN RESOURCES FOR THE YEAR

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

Depreciation of owned tangible fixed assets	12,592	11,854
Audit fee	4,113	3,000
	<u>16,705</u>	<u>14,854</u>

### 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.

During the year to 15 July 2002, support income included an amount of £44,640 (2001 £33,794), 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 £1,501 (2001 £631).

# INTERNATIONAL NEPAL FELLOWSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002

### 9 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Bank interest	23,442	33,910

### 10 STOCKS

Goods and resale	353	353
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### 11 FIXED ASSETS

	Freehold property £	Computer equipment and software £	Total £
<b>Cost or valuation</b>			
At 16 July 2001	350,000	15,653	365,653
Additions	-	6,938	6,938
Disposals	-	( 2,317)	( 2,317)
At 15 July 2002	350,000	20,274	370,274
<b>Depreciation</b>			
At 16 July 2001	7,000	8,851	15,851
Charge for the year	7,000	5,592	12,592
Disposals	-	( 2,317)	( 2,317)
At 15 July 2002	14,000	12,126	26,126
<b>Net book value</b>			
At 15 July 2001	343,000	6,801	349,801
At 15 July 2002	336,000	8,148	344,148

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 revaluation reserve of £242,585, which has been treated as a designated fund. The cumulative depreciation to date has been set against this fund.



# INTERNATIONAL NEPAL FELLOWSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002

	2002 £	2001 £
<b>12 INVESTMENTS</b>		
Charinco Common Investment Fund:		
Market value at beginning of year	11,408	11,408
Unrealised gain during the year	655	-
	<u>11,408</u>	<u>11,408</u>
Market value at end of year	<u>12,063</u>	<u>11,408</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.

### 13 DEBTORS AND PREPAYMENTS

Tax reclaimable	-	46,125
Other debtors - grants receivable	238,358	-
Other debtors and prepayments	8,555	15,194
	<u>246,913</u>	<u>61,319</u>

There are no debtors falling due after more than one year

### 14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

Funds held for Nepal	71,605	87,612
Grants payable	224,866	-
Tearfund fees	3,373	-
Other creditors	17,407	13,637
Taxation and social security	1,516	1,483
Payments received on account	1,881	-
Accruals and deferred income	15,430	17,164
	<u>336,078</u>	<u>119,896</u>

### 15 CONTINGENT LIABILITY

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

# INTERNATIONAL NEPAL FELLOWSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002

### 16 PERSONAL GIFTS

Personal gifts amounting to £43,537 (2001 £70,161) were received on behalf of, and forwarded to missionaries in Nepal.

### 17 RESTRICTED FUNDS

	Brought forward £	Donations and gifts £	Direct charitable expenditure £	Transfers £	Carried forward £
Gordon Leitch Memorial Scholarship Fund	15,957	2,415	-	( 403)	17,969
Support fund	16,793	357,139	( 241,096)	( 78,624)	54,212
Operational reserve (support)	60,325	-	-	675	61,000
Home assignment reserve	93,491	-	-	( 12,691)	80,800
Members welfare fund	41,498	3,694	( 45,188)	-	4
Designated Nepal	-	250,190	( 250,190)	-	-
Seconded workers	-	23,139	( 23,139)	-	-
Scholarship Fund	655	2,088	-	-	2,743
Gospel Outreach fund	840	85	-	-	925
Himalayan Ministries	7,261	24,689	( 21,071)	-	10,879
Others in Nepal	5,652	1,563	( 1,238)	-	5,977
Members pensions	-	-	-	46,000	46,000
Personal gifts	-	43,537	( 43,537)	-	-
Emergency repatriation reserve	15,000	-	-	-	15,000
Sabbatical reserve	15,000	-	-	-	15,000
TLP fund	52,667	225,136	( 277,803)	-	-
HSP fund	167	171,309	( 171,345)	-	131
UK staff	-	160	( 64)	63	159
Burtibang	-	-	( 3,160)	3,160	-
	<u>325,306</u>	<u>1,105,144</u>	<u>(1,077,831)</u>	<u>( 41,820)</u>	<u>310,799</u>

Note: The Support Fund transfer includes a transfer of £44,640 from support income to unrestricted funds.

# INTERNATIONAL NEPAL FELLOWSHIP

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002

### 18 DESIGNATED FUNDS

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

2001	designations	Balance at 16 July in year £	New Transfers £	Utilised released 2002 £	£	Balance at 15 July £
	Operational reserve (general)	36,075	-	-	7,925	44,000
	Property reserve	343,000	-	( 7,000)	-	336,000
	UK development fund	30,000	-	( 5,500)	( 6,000)	18,500
	Emergency repatriation fund	35,000	-	-	65,000	100,000
	Gift to Nepal	36,000	-	( 22,156)	2,156	16,000
	Nepal Church History fund	-	-	-	2,300	2,300
		<u>480,075</u>	<u>-</u>	<u>( 34,656)</u>	<u>71,381</u>	<u>516,800</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 the costs of basic field support plus UK administration for two and a half months, and this has been created because of the fluctuating nature of income.

### 19 RELATED PARTY TRANSACTIONS

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

### 20 GRANTS PAYABLE

	2002 £	2001 £
These comprise the following grants, all in excess of £10,000:		
Payable to institutions:		
INF Nepal: Community Health and Development Project (Burtibang)	3,160	-
TB and Leprosy Project	277,803	112,015
Health Services Partnership	171,346	40,765
	<u>452,309</u>	<u>152,780</u>
	Number	Number
Number of grants	<u>0</u>	<u>2</u>

## **INTERNATIONAL NEPAL FELLOWSHIP**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 15 JULY 2002**

#### **21 RESERVES POLICY**

##### **Operational reserves**

To cover fluctuations in income on both restricted account and unrestricted account. Level of reserve to be held = 2.5 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.

##### **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.