

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

FINANCIAL STATEMENTS

30 JUNE 2006



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 2006

The trustees present their report along with the financial statements of the charity for the period ended 30th June 2006. The financial statements have been prepared on the accounting policies set out in note 1 to the financial statements and comply with the charity's memorandum and articles of association, applicable law and the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" 2005.

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

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

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

Board of Trustees:

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

Chief Executive Officer Mr John Reynolds

Company Secretary Mr John Reynolds

Auditors

Mazars LLP
The Broadway
Dudley
West Midlands
DY1 4PY

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

Bankers

Bank of Scotland
55 Temple Row
Birmingham, B2 5LS

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

2. Structure, Governance and Management

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

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

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

Two committees support the CEO, an 'Executive Committee', comprising the Chairman, Vice-Chairman, one other board member and the CEO; and a 'Finance Committee' comprised of two board members, an independent co-optee, and the CEO.

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

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

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

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

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

3. Objectives and Activities

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

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

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

3. Objectives and Activities (continued)

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

INF/UK has an interest in INF/W having approximately 10% 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/N works under a five year contract with the Government of Nepal in the areas of health and community development. We are pleased to report that this contract was renewed during the past year for a further 5 years to 2010. Under Nepali law an INGO cannot implement its own programmes, these have to be carried out by a locally registered 'implementing agency'. INF/N fulfils the role of the 'implementing agency'.

As well 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. The trustees wish to make it clear that Nepal has allowed freedom of religion 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

During the year reported on INF (UK) fulfilled its charitable objectives by:-

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

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

4. Main activities through the past year (continued)

- vii. Acting on behalf of INF/N and INF/W in strengthening relationships with a number of UK and European based partner agencies.
- viii. Developing plans for a dedicated outreach to Nepalis resident in the UK.
- ix. Extending the worldwide support base for the INF family of organisation through supporting the establishment of INF North America.

(b) INF Worldwide

Some highlights from INF/W during the year were:-

- i. A move of the INF/W office from Pokhara, where INF has had its main office since its inception in 1952, to Kathmandu. This places INF/W in a strong position to fulfil its mandate to support INF/N and pursue new works amongst the 12 million Nepalis living outside of Nepal.
- ii. Working towards the establishment of a new programme for Nepali migrants in the North West of India, which will be carried out in partnership with INF/N. This is set to commence in 2007.
- iii. Research on girl trafficking confirming the extent of the need for advocacy and programmes to prevent the spread of girl trafficking, primarily into the urban centres of India. Programmes for rehabilitation, counselling and health care will be pursued in 2007.
- iv. Continued development of links with Nepali Diaspora communities in Malaysia, in the Middle East, Hong Kong, the United Kingdom and Australia. Some of these links have resulted in programmes to serve and work with Nepali migrant workers.
- v. Regular assistance to government and non-government health institutions and development organisations in Nepal through INF/W's Partnership Programme.
- vi. Supporting INF/W secondees through pastoral care, IT services, language and orientation training and regular security advice.
- vii. Producing premium quality resources and published materials and maintaining a popular web site, all promoting and communicating the work of INF.

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

4. Main activities through the past year (continued)

(c) INF Nepal

- i. It is pleasing to report that INF/N has consolidated its health and development work in district centres in the West and Mid-Western Regions of Nepal despite the difficulties encountered through working in areas most affected by Nepali's internal civil conflict.
- ii. Integrated district-based programmes which include:
 - hospital and rehabilitation services for people with disabilities,
 - health and development programmes with marginalised communities,
 - medical camps,
 - assistance for organisations working for people with disabilities,
 - HIV/AIDS education, testing, counselling and care,
 - work among displaced people, and
 - TB and leprosy referral clinics.

5. Significant events during the current year

(a) The Maoist conflict

Nepal has suffered a Maoist insurgency since 1996, with the conflict worsening year on year. Maoist acts of violence are aimed predominantly at institutional targets, including members of the police and security forces, and political figures, though rural and urban communities and businesses have also been severely affected. The response by government forces to the conflict has on times been severe, and there have been reports of atrocities being committed by both sides.

The severity and extent of the insurgency, and the government response to this, grew during the year. By April 2006 the country was on the brink of outright civil war with massed demonstrations facing armed police and the military in Kathmandu.

On 21 April 2006, King Gyanendra announced that he would give up the powers he took on the 1st February 2005 and stood down as head of the government. The alliance of political parties behind the mass demonstrations was asked to nominate a new prime minister and form an interim government.

Peace negotiations took place between the Maoists and the seven party alliance and agreement has been reached for the disarmament of rebel soldiers and for their representatives to enter the democratic process. 83 Maoists MPs are set to join the 330 seat interim assembly in 2007. The constitution is being re-written and elections to parliament are planned for mid 2007. It is as yet unclear what role, if any, the King will have in the new Nepal.

The position is still fragile. Political unrest and dissatisfaction has not disappeared. Sporadic acts of violence and disruption continue despite the peace accord. It remains to be seen whether the alliance can survive political tensions once the immediate goodwill of the peace accord has worn off.

(b) 69 Wentworth Road

The charity's property at 69 Wentworth has served the charity well since it was purchased in 1986. However, the charity's needs have altered quite significantly since purchase and the trustees believe it is time to consider alternative premises. It is hoped that the sale of the property will take place in 2007 and that this will release funds to invest in the charity's development.

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

6. Financial activities

During the year, total incoming resources were £1,101,574 and total expenditure was £1,090,327. This represents a rise of approximately 15% in income and a rise in expenditure of 14% over last year. The underlying figures show differing trends:-

(a) General Fund

Total income on the General Fund was £304,066 compared to last year's figure of £234,817, an increase of 30%. A strong element of this was Legacy income which rose to £89,683 compared to £34,420 last year.

(b) Designated Nepal

Overall gifts to Nepal, excluding the support fund, were up 37% to £447,759 compared to £327,569 last year. Of this increase approximately £30,000 is in respect of additional moneys from United Churches of the Netherlands and Tearfund passing through INF/UK. Leaving this sum aside we still saw a significant increase in gifts to Nepal of £90,000, i.e. 27%. This reverses the fall of the previous year.

(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 their church groupings. The Support Fund is a pooled resource, and guarantees an even level of allowance while a volunteer is in the service of INF.

During the current financial year support income fell from £366,541 to £316,941, a fall of 13.5%; this reflects a reduction in seconded volunteers during the year.

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

Last year no income from the EU was reported as it was overdue and there was a lack of certainty whether the moneys would in fact be paid. At the end of the day approximately £204,000 was received. However, the entirety of this will need to be repaid as the project in Nepal was unable to use all of the funding during the prescribe time limits of the contract. This was due to the combined effects of Maoist activity reducing opportunities in rural areas, and INF/N downsizing its operation. An application was made for an additional year on the contract term so that the moneys could be used but this was declined.

Our auditors have advised that these moneys should not be recorded in the Statement of Financial Affairs as income or expenditure, but the funds received ought to be shown in the balance sheet. The asset is recorded as 'cash at bank' and the liability is recorded as a creditor.

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 six months' costs, based on the projected annual costs for the coming year for each of these respectively.

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

7. Reserves policy (continued)

The amount held as at 30th June 2006 for General Operational Reserve was £85,000 equating to 4.4 months. Given the falling numbers of secondees during the year, the reserve holding for the Support Operational Reserve reduced from £156,000 to £132,000. This equates to six months anticipated annual costs.

(b) Home Assignment Reserves

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 trustees calculate that the fund holding required as at 30th June 2006 was £115,900.

(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 up to three months prior to their possible return.

A portion of this need is covered by 'Member Related Funds - Emergency repatriation reserve' and a portion is covered by 'Unrestricted Designated funds - Emergency repatriation fund'. Both elements have been held at the same level as last year at £66,750 and £47,250 respectively.

(d) INF Medical Fund Reserve.

The trustees of INF (UK) consider it cost effective to provide an in-house medical scheme administered by INF (UK) on behalf of itself, INF Australia and INF New Zealand. A specific reserve has been established to ensure sufficient liquid funds are held to cover the event of a series of claims on the scheme. This now stands at £24,509, slightly in excess of the target figure for the reserve of £20,000.

(e) Sabbatical Reserve.

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

(f) Member Welfare fund.

This fund is a result of a major fund raising effort some years ago on behalf of missionary members. It has grown through continuing standing orders and now amounts to £19,397. An exercise will take place during the coming year to encourage people to contact us if they know of former missionary members in need in order that funds can be dispersed.

(g) Property Reserve

The charity's property at 69 Wentworth Road was revalued at £800,000 in anticipation of placing this to the market sometime during 2007.

(h) General Reserves

The board believes it prudent to hold a General Reserve to cover needs or liabilities not yet identified. One example of such a need is the contingent liability in respect of the EU contract (see comment below under post balance sheet events).

INTERNATIONAL NEPAL FELLOWSHIP
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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

7. Reserves policy (continued)

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

The trustees allocated an amount of £105,000 from its unrestricted income, to be split £65,000 to INF/N, £20,000 to INF/W and £20,000 towards the establishment of INF North America. This was paid to the beneficiaries shortly after the year end.

(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 trustees 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 trustees believe they have achieved an acceptable balance of risk and reward.

The trustees will be reviewing their stance on investment advice during 2007 particularly as they anticipate having significant additional funds upon the sale of 69 Wentworth Road.

9. Post balance sheet events

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

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

The current estimate of the additional payback is approx NR10, 000,000 which equates to £74,000. We are advised that INF/N have allocated reserves of NR10, 000,000 towards this liability. In the event of the eventual payback being greater than the reserve currently allocated to this liability by INF/N, INF/UK are confident that they will be able to absorb any difference via their General Reserve.

This is recorded in the accounts of the company as a contingent liability (see Note 18).

10. Plans for the future

A detailed operational plan has been drawn up for 2007-08 with an underlying focus on celebrating INF's 50 years involvement in its Green Pastures Hospital and 30 years involvement in Surkhet. Allied to these celebrations will be a number of fund raising events and efforts aimed at building the number and involvement of supporters.

The trustees have recognised that the UK office is understaffed for current workloads and that its development plans will exacerbate the situation. They have decided that it is in the best interest of the charity to increase staff over the coming two years in order to develop the potential of the charity. Funding for this will largely come through the release of funds once 69 Wentworth Road is sold.

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TRUSTEES REPORT FOR THE PERIOD ENDING 30TH JUNE 2006 (continued)

10. Plans for the future (continued)

A longer term strategic process has started asking the question 'where do we want to be in 10 years time'. The will involve the board and key stakeholder groups including INF/N, INF/W, secondees, and UK based supporters.

11. Statement of Trustee responsibilities

Company Law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to: -

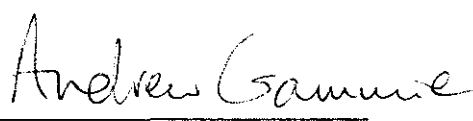
- Select suitable accounting policies and then apply them consistently;
- Make sound judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will not will not continue in business.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enables them to ensure that the financial statements comply with the Companies Act 1985. The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

12. Voluntary help and gifts in kind

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

Signed on behalf of the board.


Chairman

1 March 2007

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 2006 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Trustees' Report is consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charitable company's affairs as at 30 June 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

Mazars LLP

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

9 March 2007

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2006

		Unrestricted funds		Restricted	Total	Total
	Note	General funds	Designated funds	funds	2006	2005
		£	£	£	£	£
INCOMING RESOURCES						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants		-	-	-	-	170
Gifts to Nepal		-	-	447,759	447,759	327,569
Member support funds		-	-	316,941	316,941	366,541
Others		-	-	19,998	19,998	30,984
Sponsorship		6,081	-	-	6,081	-
Security appeal		-	-	12,750	12,750	-
General donations		129,599	-	-	129,599	147,317
Legacies		89,683	-	-	89,683	34,420
Appeals		24,758	-	-	24,758	-
Grants receivable		-	-	-	-	-
Contribution to printing		4,987	-	-	4,987	5,194
<i>Investment income</i>						
Interest & dividends receivable	9	39,418	-	-	39,418	36,929
		<u>294,526</u>	<u>-</u>	<u>797,448</u>	<u>1,091,974</u>	<u>949,124</u>
Charitable activities						
Conference fees		9,281	-	-	9,281	10,655
Trading income		259	-	-	259	302
		<u>9,540</u>	<u>-</u>	<u>-</u>	<u>9,540</u>	<u>10,957</u>
TOTAL INCOME		<u>304,066</u>	<u>-</u>	<u>797,448</u>	<u>1,101,514</u>	<u>960,081</u>
RESOURCES EXPENDED						
Cost of generating funds						
Costs of generating voluntary income	15	5,644	-	-	5,644	-
Purchases and conference		13,719	-	-	13,719	12,471
		<u>19,363</u>	<u>-</u>	<u>-</u>	<u>19,363</u>	<u>12,471</u>
Charitable activities						
Gifts to Nepal and INF internationally		-	115,000	-	115,000	-
Designated for specific gifts		-	-	443,767	443,767	329,008
Member support funds		-	-	208,477	208,477	231,938
Other member related funds		-	-	81,230	81,230	69,359
Others		-	-	19,112	19,112	30,339
Sponsorship		6,137	-	-	6,137	-
Funds remitted to Nepal		-	-	-	-	83,538
<i>Support costs</i>						
Personnel	2	66,266	-	67,289	133,555	133,826
Premises		2,172	-	2,171	4,343	5,532
Utilities		1,740	-	1,740	3,480	1,222
Office costs		4,728	-	4,728	9,456	8,963
Communications		8,342	-	8,343	16,685	14,911
Publicity/promotional		4,362	-	4,361	8,723	12,262
Recruitment		-	-	738	738	1,394
Depreciation	10	1,015	7,000	1,015	9,030	10,331
	15	<u>94,762</u>	<u>122,000</u>	<u>842,971</u>	<u>1,059,733</u>	<u>932,623</u>

INTERNATIONAL NEPAL FELLOWSHIP
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STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2006

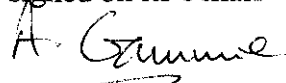
		Unrestricted funds		Restricted funds	Total	Total
	Note	General funds	Designated funds	funds	2006	2005
		£	£	£	£	£
Charitable activities (continued)						
Governance costs	5	11,231	-	-	11,231	10,289
		<u>11,231</u>	<u>-</u>	<u>-</u>	<u>11,231</u>	<u>10,289</u>
TOTAL EXPENDITURE		<u>125,356</u>	<u>122,000</u>	<u>842,971</u>	<u>1,090,327</u>	<u>955,383</u>
NET INCOME		<u>178,710</u>	(<u>122,000</u>)	(<u>45,523</u>)	<u>11,187</u>	<u>4,698</u>
Transfer between funds	(122,797)	76,400	46,397	-	-
Gain/(loss) on investments		-	-	-	-	753
Revaluation reserve increase		<u>-</u>	<u>491,709</u>	<u>-</u>	<u>491,709</u>	<u>-</u>
NET MOVEMENT		<u>55,913</u>	<u>446,109</u>	<u>874</u>	<u>502,896</u>	<u>5,451</u>
Brought forward		<u>134,663</u>	<u>533,480</u>	<u>466,029</u>	<u>1,134,172</u>	<u>1,128,721</u>
CARRIED FORWARD		<u><u>190,576</u></u>	<u><u>979,589</u></u>	<u><u>466,903</u></u>	<u><u>1,637,068</u></u>	<u><u>1,134,172</u></u>

INTERNATIONAL NEPAL FELLOWSHIP
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BALANCE SHEET AT 30 JUNE 2006

	Note	General funds £	Designated funds £	Restricted funds £	Total 2006 £	Total 2005 £
Fixed assets						
Tangible assets	10	2,492	800,000	-	802,492	318,603
Investments	11	30,786	-	-	30,786	30,786
		<u>33,278</u>	<u>800,000</u>	<u>-</u>	<u>833,278</u>	<u>349,389</u>
Current assets						
Stock of literature	12	653	-	-	653	853
Debtors and prepayments	13	12,274	-	-	12,274	32,045
Cash at bank and in hand		315,472	179,589	670,963	1,166,024	818,023
		<u>328,399</u>	<u>179,589</u>	<u>670,963</u>	<u>1,178,951</u>	<u>850,921</u>
Creditors: amounts falling due within one year						
Creditors and accrued charges	14	(171,101)	-	-	(171,101)	(66,138)
Grant money refundable	14	-	-	(204,060)	(204,060)	-
		<u>157,298</u>	<u>179,589</u>	<u>466,903</u>	<u>803,790</u>	<u>784,783</u>
Net current assets						
		<u>157,298</u>	<u>179,589</u>	<u>466,903</u>	<u>803,790</u>	<u>784,783</u>
Total net assets		<u><u>190,576</u></u>	<u><u>979,589</u></u>	<u><u>466,903</u></u>	<u><u>1,637,068</u></u>	<u><u>1,134,172</u></u>
Funds						
Restricted income funds	19	-	-	466,903	466,903	466,029
Designated income funds: 20						
Property	10	-	800,000	-	800,000	315,292
Other			179,589	-	179,589	218,188
General reserve		190,576	-	-	190,576	134,663
		<u>190,576</u>	<u>979,589</u>	<u>466,903</u>	<u>1,637,068</u>	<u>1,134,172</u>

Approved by the Board on 1 March 2007
and signed on its behalf


A Gammie


A R Leighton

INTERNATIONAL NEPAL FELLOWSHIP
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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 2006

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

	2006 £	2005 £
Wages and salaries	112,763	108,474
Social security costs	8,157	8,340
Other pension costs	6,536	6,603
Courses, travel and other	4,888	5,913
Outsourced services	1,211	4,496
	<u>133,555</u>	<u>133,826</u>
Average number of employees/volunteers on home assignment:		
Management	1	1
Administration	6	5
Volunteers on home assignment	12	8
	<u>19</u>	<u>14</u>

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
3 SPONSORSHIP		
Income and donations	6,081	-
Less: Costs	(6,137)	-
	<u> </u>	<u> </u>
	(56)	-
	<u> </u>	<u> </u>
4 MEMBERS' SUPPORT COSTS		
(1) UK Costs		
Equipment and allowances	11,767	39,651
Accommodation and travel	23,344	13,105
Social security	6,048	8,241
Other pension costs	58,735	63,406
Welfare fund	14,915	9,653
Other expenses	762	9,082
(2) Remitted to Nepal		
Support and related costs	92,906	88,800
	<u> </u>	<u> </u>
	208,477	231,938
	<u> </u>	<u> </u>
5 GOVERNANCE COSTS		
Miscellaneous	726	771
Legal and statutory	2,895	1,089
Trustee expenditure	1,403	2,553
Trustee Nepal costs	507	876
Audit fee	5,700	5,000
	<u> </u>	<u> </u>
	11,231	10,289
	<u> </u>	<u> </u>
6 NET MOVEMENT IN RESOURCES FOR THE PERIOD		
The net movement in resources for the period is stated after charging:		
Depreciation of owned tangible fixed assets	9,031	10,331
Audit fee	5,100	5,100
	<u> </u>	<u> </u>
	14,131	15,431
	<u> </u>	<u> </u>

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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 2006, support income included an amount of £38,880 (2005 £38,880), all of which was transferred to unrestricted funds during the year.

8 DIRECTORS' REMUNERATION

No directors' remuneration was voted during the year. Directors' expenses incurred in connection with the company's affairs amounted to £1,910 (2005 £3,429).

	2006 £	2005 £
9 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME		
Bank interest	36,716	36,376
Dividends	2,702	552
	<hr/>	<hr/>
	39,418	36,928
	<hr/>	<hr/>

INTERNATIONAL NEPAL FELLOWSHIP
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FOR THE YEAR ENDED 30 JUNE 2006

10 FIXED ASSETS

	Freehold property £	Computer equipment and software £	Total £
Cost or valuation			
At 1 July 2005	350,000	19,855	369,855
Additions	-	1,212	1,212
Revaluation	450,000	-	450,000
Disposals	-	(15,462)	(15,462)
	<u>800,000</u>	<u>5,605</u>	<u>805,605</u>
Depreciation			
At 1 July 2005	34,708	16,544	51,252
Charge for the year	7,000	2,031	9,031
Disposals	-	(15,462)	(15,462)
Eliminated upon revaluation	(41,708)	-	(41,708)
	<u>-</u>	<u>3,113</u>	<u>3,113</u>
Net book value			
At 30 June 2006	<u>800,000</u>	<u>2,492</u>	<u>802,492</u>
At 30 June 2005	<u>315,292</u>	<u>3,311</u>	<u>318,603</u>

The freehold property at 69 Wentworth Road, Harborne, Birmingham, was valued as at 15 July 2000 by Hadleigh, Chartered Surveyors of Harborne, Birmingham, on a vacant possession basis. The valuation was updated after the year end, based on the guide price as advised by Knight Frank in October 2006.

	2006 £	2005 £
11 INVESTMENTS		
Charinco Common Investment Fund:		
Market value at beginning of year	30,786	12,271
Unrealised gain during the year	-	753
Gifts of shares during the year	-	17,762
	<u>30,786</u>	<u>30,786</u>
Market value at end of year	<u>30,786</u>	<u>30,786</u>

The above investments in Charinco were originally acquired by International Nepal Fellowship, before the company was incorporated. The investments were transferred to the company on 15 July 1996 at the market value of £9,160. A further gift of shares was received in 2005, with a value of £17,762.

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
12 STOCKS		
Goods for resale	653	853

13 DEBTORS AND PREPAYMENTS

Other debtors - grants receivable	-	-
Other debtors and prepayments	12,274	32,045
	<u>12,274</u>	<u>32,045</u>

There are no debtors falling due after more than one year.

**14 CREDITORS AMOUNTS FALLING
DUE WITHIN ONE YEAR**

Funds held for Nepal	151,734	50,162
Taxation and social security	10,240	5,537
Payments received on account	-	2,107
Accruals and deferred income	9,127	8,332
	<u>171,101</u>	<u>66,138</u>

Grant money refundable	<u>204,060</u>	<u>-</u>
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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 2006

15 CHARITABLE ACTIVITIES

	Activities directly undertaken	(Note 17) Grant Funding	(Note 16) Support Costs	2006 Total	2005 Total
	£	£	£	£	£
Support of missionary workers	289,706	-	93,885	383,591	395,518
Support of INF Nepal	-	584,016	46,063	630,079	537,105
Support of INF Worldwide	-	-	46,063	46,063	-
	<u>289,707</u>	<u>584,016</u>	<u>186,011</u>	<u>1,059,733</u>	<u>932,623</u>

16 SUPPORT COSTS

Activity

	Fund Raising	Support of missionary workers	Support of INF Nepal	Support of INF Worldwide	2006 Total	2005 Total
	£	£	£	£	£	£
Personnel	-	67,289	33,133	33,133	133,555	133,826
Premises	-	2,171	1,086	1,086	4,343	5,532
Utilities	-	1,740	870	870	3,480	1,222
Office costs	-	4,728	2,364	2,364	9,456	8,963
Communications	2,024	8,343	4,171	4,171	18,709	14,911
Publicity/promotion	3,620	4,361	2,181	2,181	12,343	12,262
Recruitment	-	738	-	-	738	1,394
Depreciation	-	4,515	2,258	2,258	9,031	10,331
	<u>5,644</u>	<u>93,885</u>	<u>46,063</u>	<u>46,063</u>	<u>191,655</u>	<u>188,441</u>

Basis of allocations:

The Trustees have apportioned support costs direct to activities where this is possible. Where support costs cannot be directly attributable to activities the Trustees have taken the view that support costs should be divided in a ratio of 50%, 25% and 25% between 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	2006 Total	2005 Total
	£	£	£	£
Support of missionary workers	-	-	-	-
Support of INF Nepal	-	584,016	584,016	537,105
Support of INF Worldwide	-	-	-	-
	<u>-</u>	<u>584,016</u>	<u>584,016</u>	<u>584,016</u>

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

18 CONTINGENT LIABILITIES

Freehold Property

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.

EU Contract

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

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

The current estimate of the additional payback is approximately NR 10,000,000 which equates to £74,000. We are advised that INF/N have allocated reserves of NR 10,000,000 towards this liability. In the event of the eventual payback being greater than the reserve currently allocated to this liability by INF/N the trustees of INF/UK are confident that they will be able to absorb any difference via their General Reserve.

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

19 RESTRICTED FUNDS

	Brought forward £	Donations and gifts £	Charitable expenditure £	Transfers £	Carried forward £
Grants					
TB and Leprosy Project	570	-	-	-	570
APSO Development Fund	2,506	-	-	(377)	2,129
Security appeal	-	12,750	-	(4,731)	8,019
Gifts to Nepal					
Designated Nepal	-	432,591	(432,591)	-	-
Seconded workers	-	10,176	(10,176)	-	-
Gospel Outreach fund	195	15	-	-	210
Theotracs (Scholarship)	709	769	-	-	1,478
Others in Nepal	850	1,751	-	-	2,601
Himalayan Ministries	36	-	-	-	36
Nepal Church History Project	-	500	(500)	-	-
Gordon Leitch Memorial Fund	23,798	1,575	-	-	25,373
Camps	90	381	(500)	-	(29)
Member Related Funds					
Support fund	36,268	316,941	(298,862)	(28,838)	25,509
Allocated to Members	15,750	-	-	(15,750)	-
Emergency repatriation reserve	66,750	-	-	-	66,750
Home assignment reserve	78,000	-	(79,360)	117,260	115,900
INF Medical Scheme	23,546	-	(1,870)	2,833	24,509
Operational reserve (support)	156,000	-	-	(24,000)	132,000
Sabbatical reserve	42,000	-	-	-	42,000
Others					
Members welfare fund	18,679	718	-	-	19,397
Personal gifts	-	18,930	(18,930)	-	-
UK staff	282	351	(182)	-	451
	<u>466,029</u>	<u>797,448</u>	<u>(842,971)</u>	<u>46,397</u>	<u>466,903</u>

Note: The Support Fund transfer includes a transfer of £38,880 (2005 £38,880) from support income to unrestricted funds.

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

20 DESIGNATED FUNDS

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

	Balance at 1 July 2005 £	New designations £	Utilised/ released in year £	Transfers £	Balance at 30 June 2006 £
Operational reserve (general)	85,000	-	-	-	85,000
Property reserve	315,292	491,708	(7,000)	-	800,000
Emergency repatriation fund	47,250	-	-	-	47,250
INF work in Nepal and Internationally	85,938	-	(115,000)	76,400	47,339
	<u>533,480</u>	<u>491,708</u>	<u>(122,000)</u>	<u>76,400</u>	<u>979,589</u>

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

The property reserve represents the carrying value of the property at 69 Wentworth Road, as per Note 10 of the Financial Statements.

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

21 RELATED PARTY TRANSACTIONS

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

22 RESERVES POLICY

Operational reserves

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

Home assignment reserves

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

Emergency reserves

The security position in Nepal remains volatile and uncertain.

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

INTERNATIONAL NEPAL FELLOWSHIP
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

22. RESERVES POLICY (CONTINUED)

Property reserve

Property is in the balance sheet at a net book value of £315,292. This forms the basis of the property reserve. With the Trustees considering selling the property, the valuation was increased to £800,000 based on the guide price for sale based on advice from Knight Frank..

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.