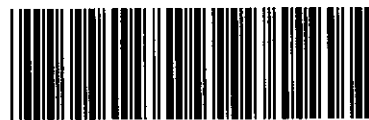


The Gurkha Welfare Trust
Annual Report and Accounts

2005/2006

Company Limited by Guarantee Number
5098581
Registered Charity Number
1103669

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Annual report and accounts for the period ended 30 June 2006

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**A member charity of the Gurkha Welfare Fund under the patronage of
HRH The Prince of Wales KG KT GCB OM AK QSO PC ADC**

Vice Patrons

Field Marshal The Lord Bramall of Bushfield KG GCB OBE MC JP
Field Marshal Sir John Chapple GCB CBE DL

Trustees, Officials and Advisors

Trustees

Lieutenant General Sir Philip Trousdell KBE CB (Chairman)
J T Bach Esq
Brigadier S P Cowlam CBE
Mrs D Donovan
Lieutenant General Sir Peter Duffell KCB CBE MC
His Excellency Lieutenant General Sir John Foley KCB OBE MC (until 11/07/05)
Colonel D G Hayes MBE
General Sir Garry Johnson KCB OBE MC
Colonel M H Kefford OBE
Brigadier S M A Lee OBE
G P McNaught Esq
Major General P T C Pearson CBE
Major General R A Pett CB MBE
Lieutenant General Sir Anthony Pigott KCB CBE
Brigadier N A W Pope
Sir William Purves CBE DSO (until 11/07/05)

Management Committee

Lieutenant General Sir Philip Trousdell KBE CB (Chairman)
Mrs D Donovan
His Excellency Lieutenant General Sir John Foley KCB OBE MC (until 11/07/05)
Colonel D G Hayes MBE
Brigadier S M A Lee OBE
G P McNaught Esq
Major General P T C Pearson CBE
Lieutenant General Sir Anthony Pigott KCB CBE

Investment Committee

Major General R A Pett CB MBE (Chairman)
J T Bach Esq
P M Rigg Esq
P J Wrangham Esq (until 31/12/05)
D Hitchcock Esq (from 01/01/06)

Audit Committee

G P McNaught Esq (Chairman)
J T Bach Esq
Brigadier S M A Lee OBE

Director The Gurkha Welfare Trust

Colonel W F Shuttlewood OBE

Director Gurkha Welfare Scheme

Colonel R J J Ellis

Field Director Gurkha Welfare Scheme

Lieutenant Colonel S J M Dewing

Investment Managers

Newton Investment Management Limited
 Mellon Financial Centre
 160 Queen Victoria Street
 London EC4V 4LA

Auditors

PricewaterhouseCoopers LLP
 Southwark Towers
 32 London Bridge Street
 London SE1 9SY

Bankers

HSBC Bank plc
 90 Baker Street
 London W1M 2AX

Solicitor

A J Lutley Esq
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 Ashted Park, Ashted
 Surrey KT21 1HY

Registered Address

P.O. Box 18215
 2nd Floor, 1 Old Street
 London EC1V 9XB

Company Limited by Guarantee Number

5098581

Registered Charity Number

1103669

This report and its associated accounts are drawn up in accordance with the requirements of the statement of recommended Practice (SORP) 2005, "Accounting and Reporting by Charities" and the Companies Act 1985.

Trustees' Report for the Year ended 30 June 2006

(1) Structure, Governance and Management

Trust Structure

The principal purpose of the Gurkha Welfare Trust (GWT or the Trust) is to relieve hardship and distress among Gurkha ex-servicemen of the British Crown and their dependants. It achieves this by raising funds principally in support of programmes for individual and community aid in Nepal. The Trust's headquarters is in London. Aid is delivered by the Trust's field arm, the Gurkha Welfare Scheme (GWS) and its network of 21 Area Welfare Centres (AWCs) in Nepal. The Trust also maintains a single AWC in India for those ex servicemen and their dependants domiciled in India.

The Trust is a member of the Gurkha Welfare Fund (GWF), established in 1989 for the purpose of coordinating direction of policy and the implementation of such policy within Nepal. The other two member charities are:

- **The Gurkha Welfare Trust Foundation (USA) (GWTF(USA))** which provides funds to buy medicines. The GWTF(USA) withdrew from the GWF with effect from 31 Dec 05 and has ceased to be active in support of the Trust.
- **The Kadoorie Agricultural Aid Association British Gurkhas Nepal (KAAA BGN)** which concentrates on community aid and development including bridge construction, the provision of potable water supplies and renewable energy projects. It also makes generous contributions to assist the Trust with individual aid.

The GWS also manages and administers the building of water and sanitation projects in Nepal on behalf of the British Government's **Department for International Development (DFID)**.

The UK **Ministry of Defence (MOD)** continues to provide an annual Grant in Aid to cover most of the administrative costs of running the GWS and its network of AWCs.

Trust policies are the responsibility of a Board of Trustees, supported by a subordinate committee structure. The main sub committee is the Management Committee which meets four times each year. There are also sub committees to consider investment and audit matters.

The Trust's Director is responsible for the day to day operation of the Trust. He manages the staff of the London headquarters and directs and coordinates their activities. He is also Secretary to the Board of Trustees.

The Director of the GWS in Nepal is responsible to the Trustees for the effective and efficient delivery of welfare support in accordance with Trust policies and for the management of the Trust's complement of field staff and the associated infrastructure of AWCs.

Trust Governance

The Trust deed provides authority for the appointment of up to 16 Trustees:

- Two ex officio Trustees: the Colonel Commandant of the Brigade of Gurkhas who acts as Chairman of Trustees, and the Colonel Brigade of Gurkhas.
- Eight nominated Trustees, each of whom may serve for periods of up to four years:
 - Four nominated Trustees representing the previous regiments of the Brigade of Gurkhas that were disbanded in 1994.
 - Four nominated Trustees representing the current regiments of the Brigade of Gurkhas.
- Up to six Co-Opted Trustees, each of whom may serve for periods of up to three years.

All Trustees are eligible for re-election if required.

The Trust currently has a full complement of ex officio and nominated Trustees. Co-opted Trustees are drawn from backgrounds and experience relevant to the Trust and its programme of activities. The Trust currently has four co-opted Trustees representing legal, financial and fundraising areas of interest. The remaining co-opted Trustee is a subject matter expert on Nepal and the South Asia region. With the exception of two nominated Trustees, all Trustees have served in excess of three years.

Replacement co-opted Trustees are nominated by members of the Board of Trustees and, subject to interview, are appointed where they have the necessary skills to contribute to the charity's management and development. On appointment all new Trustees are introduced to the work of the Trust and provided with the information they need to fulfil their roles. This information includes the duties and responsibilities of Trustees and charity law. Where appropriate Trustees attend seminars commensurate with their duties and responsibilities.

Risk Management

All activities are subject to regular risk review by the Board of Trustees and the Trust's subordinate committees. Major risks are, for this purpose, those that could have a significant effect on:

- The Trust's operational performance, including risks to personnel and volunteers.

- The Trust's ability to achieve its objects.
- Meeting the expectations of beneficiaries or supporters.
- The Trust's reputation and integrity.

The Trustees review these risks on an ongoing basis and satisfy themselves that adequate systems and procedures are in place to minimise and manage the risks identified. Where possible and appropriate, risks are covered by insurance.

Financial Risk

The Trust faces a number of key financial risks. The Trustees consider that the following summarises those financial risks and their responses to them:

Price Risk. The Trust negotiates grants awarded to finance its activities and incorporates this information into its annual business plans.

Credit Risk. Credit risk on amounts owed to the Trust is low, as the majority of debtors are Government Agencies or other donors with whom the Trust enjoys a long term relationship.

Liquidity Risk. The Trust has no long-term borrowings. Cash flows are forecast on a monthly basis to ensure that cash outflows to support its activities are matched by inflows from investment income, grants and donations. If necessary the Trust can make use of its overdraft facility to cover short-term cash shortfalls.

Foreign Exchange Risk. The Trust has a policy of maintaining its funds in Sterling and other major currencies, whilst its costs are primarily in Nepalese Rupees (NCR). The Trustees have determined that the costs of hedging the currency risk would outweigh any potential benefit in view of the general trend for depreciation of the NCR. Funds are converted to NCRs as and when required to support operational cash flows in Nepal.

Investment Risk. The Trust has an investment strategy that spreads risk and which is responsive to changing market conditions. Investments are reviewed quarterly in consultation with the Trust's investment managers.

(2) Objectives and Activities

The Trust was initially established by Trust deed in 1969. It was re-constituted, also by Trust deed, in 1994. In April 2004 the Trust became a Charitable Company Limited by Guarantee (CCLG).

The Trust's Objects are:

- to relieve, either generally or individually, Gurkhas and their dependants who are in conditions of need, hardship or distress;

- to advance the education of Gurkhas and their dependants and to advance education generally in the areas of the Kingdom of Nepal where Gurkhas live;
- to train Gurkhas in a trade or occupation so as to assist them to re-establish in civilian life;
- to make provision for the medical diagnosis and treatment of Gurkhas and their dependants who are in need of such diagnosis or treatment and for the prevention of any disease or adverse conditions which may affect any such person; and
- such other charitable purposes which are in the opinion of the Trustees connected directly or indirectly with the foregoing purposes as the Trustees from time to time think fit.

These Objects sustain the Trust's main mission: the relief of poverty and distress amongst ex members of the Brigade of Gurkhas and their dependants in Nepal.

The Trust maintains five core programmes in support of these Objects:

- The provision of a welfare pension to ex servicemen and their dependants who are in poverty and distress and who have no alternative source of income.
- The provision of primary and secondary medical support, not only to those welfare pensioners supported by the Trust, but also to those ex members of the Brigade and their dependants living in Nepal and who are in receipt of a military pension.
- A student grant programme for children of ex servicemen.
- The provision of hardship grants to individuals whose circumstances or livelihoods have been affected by natural disaster or misfortune.
- A community aid programme in the traditional recruiting areas of the Brigade of Gurkhas in Nepal comprising:
 - A school construction programme.
 - In conjunction with DFID, the provision of sanitation and water in remote areas.
 - In conjunction with KAAA, the development of land communications, to include the construction of bridges, roads and tracks in support of the development of Nepal's infrastructure.

To deliver these programmes the Trust maintains a network of AWCs in key locations throughout Nepal. Manned by Area Welfare Officers and their supporting staff the AWCs provide a focus for welfare activities, including the payment of welfare pensions and the provision of primary medical support.

AWC Staff are able to respond quickly to applications for welfare support. The GWS practices and procedures are designed to ensure investigations are carried out quickly and

recommendations are referred up the chain of command for decisions on the type and extent of support required.

Within Nepal the GWS has an unparalleled reputation for integrity. This largely stems from the recruitment of field staff exclusively from the ex-servicemen's community in Nepal. Their military background makes them highly suitable for the demands placed upon them by the GWS. *In the midst of the Maoist insurgency in Nepal their work is increasingly carried out under demanding and sometimes dangerous conditions. They have responded magnificently to these challenges to ensure that the provision of welfare support is maintained.*

(3) Activities, Achievement and Performance

Individual Aid - Welfare Pensions

The payment of welfare pensions to needy Gurkha ex-servicemen and their widows continues to be the Trust's most important and costly category of expenditure. Nepal has no welfare state and these impoverished ex servicemen have no alternative source of income. The majority fought for Britain in World War 2 but did not serve the 15 years necessary to qualify for a military pension. They are now increasingly aged and unable to provide for themselves. GWS forecasts predict that the number of welfare pensioners will gradually decrease over the next 20 to 30 years, but the rate will be slow, particularly because widows, some of whom are typically 10 to 15 years younger than their husbands, inherit the welfare pension. In addition, there is evidence that an increasing number of younger post World War 2 Gurkha ex-servicemen are coming forward for welfare support, in particular from amongst the 3,000 or so Gurkha soldiers who left on redundancy in the late 1960s without a military pension.

At the beginning of July 2005 there were 10,005 welfare pensioners, 4,576 of them being 'sponsored' by individual members of the public and corporate donors. By July 2006 there were 10,542 welfare pensioners, 4,780 of whom were sponsored by Trust supporters. The increase in the number of welfare pensioners was largely due to the Trustees' decision to remove the minimum age criteria for those seeking to apply for a welfare pension.

Without a welfare pension all these individuals would live in abject poverty at a time of increasing age and frailty when more and more they are unable to fend for themselves. From 1 July 2006 the Trustees increased the basic monthly welfare pension from NCR 3,000 to NCR 3,333 (c.£23). This level of support provides a basic standard of living for the welfare pensioner and his dependants.

Individual Aid – Hardship Grants

Hardship grants are designed to provide immediate relief in the event of a natural disaster affecting an individual's livelihood and ability to sustain himself and his family. Only 429 hardship grants were awarded during the period, reflecting the benign monsoon season. *The relatively high cost of delivering hardship grants reflects the need for detailed investigations to be carried out by GWS Staff to ensure all claims are genuine and that the relief provided is appropriate.*

Individual Aid – Student Grant Scheme

The Trust places a high priority on the education of children of ex Gurkhas of the Crown. The Student Grant Scheme continues to expand, reflecting the increased emphasis placed on this programme by Trustees as an investment for the future. During the period £107,000 was expended in the form of student grants, much of which was provided by ex officers of the Brigade and Regimental Associations. A total of 1,828 individuals have benefited from grants during the period in support of education at all levels.

Individual Aid – Medical

Nepal's medical system is not yet fully developed and available to all its communities, especially those living in isolated areas. For over 6 years the Trust has maintained a Medical and Key Hospital Scheme designed to provide both primary and secondary level of medical care to Gurkha ex servicemen and their dependants, wherever they live. The amount of funds and other resources committed to the Scheme continues to rise as the benefits become more widely appreciated and the cost and diversity of medical facilities available in Nepal continue to expand.

During the period the Trust provided primary and secondary medical support to a total of 43,523 individuals. Six eye camps were run in conjunction with KAAA to the benefit of 17,415 individuals.

Community Aid – Schools

Nepal's education system faces immense challenges and is under-resourced. Recognising this the Trust has a long-standing commitment to improve the standard of education facilities in the Brigade's traditional recruiting heartlands. To date, over 100 schools have been constructed. This year the Trust met its aim of constructing 8 new schools during the period and completed 67 minor projects on existing schools. In excess of 25,000 children have benefited from this programme.

Community Aid – Regional Water and Sanitation Projects

The Trust has maintained a demanding programme of water and sanitation projects on behalf of DFID. A total of 60 new schemes were started ranging from the drilling for water to improve the quality of life in rural and remote areas, to the installation of tap stands and latrines in village communities. The Trust's regional water and sanitation programme continues to be an important complement to other Trust programmes for individual and community aid.

(4) Financial Review

Incoming Resources

During the period the Trust received an income from all sources of £8,820,000. Incoming resources in the form of investment income, legacies and fundraising totalled £6,723,000. Investment income was particularly good and reflected a rising investment climate. Legacy

income totalled £1,750,000, the majority of which was for unrestricted use. Notable bequests were £217,000 from the estate of the late Mrs J M H Moore and a further payment of £319,000 from the estate of the late Mr N McLennan to add to the £840,000 received during the previous period. The Trust continues to enjoy an excellent return on its recent legacy awareness campaign.

Donations include £797,750 from the annual appeal to existing supporters. TRAILWALKER, an annual fundraising event on behalf of the Trust coordinated by the Queen's Gurkha Signals, one of the Regiments of the serving Brigade of Gurkhas, in conjunction with OXFAM, raised over £250,000 in support of the Trust's school construction programme. Other notable donations include £193,000 contributed by all ranks of the Brigade of Gurkhas and the Gurkha Contingent of the Singapore Police Force under the "One Day's Pay Scheme".

The Ministry of Defence continued to support the Trust by the provision of a further annual Grant-in-Aid of £905,000. This money is used exclusively for the payment of staff and other support costs of the GWS. The Trust also received £1,192,000 from DFID in support of the Trust's programme of regional water and sanitation projects.

The Trustees wish to thank all those who have so generously supported the Trust. Through their generosity the Trust has been able to undertake activities in support of all its charitable objects. No entitled Gurkha ex-serviceman or dependant in genuine need has been refused aid.

Expenditure

Direct charitable expenditure in Nepal totalled over £6 million. The majority of these funds were used to sustain the 10,500 or so welfare pensioners who remain entirely dependent on the Trust for support. Their plight is of increasing concern to the Trust as many of them approach the final years of their lives. The increase of expenditure on previous years reflects Trustees' decision to increase the rate of welfare pension in line with inflation in Nepal, and a 5% increase in the number of welfare pensioners over the period.

The balance of expenditure was directed in support of grants to individuals, medical aid and community aid. Expenditure on medical aid reflects not only the increased awareness of the benefits of the Scheme amongst the Brigade of Gurkhas' retired community, but also significant improvements to the availability of secondary medical support within Nepal's medical infrastructure.

Governance costs rose during the period, largely as a result of higher administration costs within the London office in support of increased activity levels, and additional expenditure incurred in support of the Trust's Strategy Review.

UK Fundraising Costs

UK fundraising costs reduced during the period, primarily as a result of the Trustees' decision not to conduct a cold appeal to acquire new supporters. An expenditure of £387,000 on fundraising against an income of £5,726,000 continues to represent very

good value. Mention must be made of the support provided by the Trust's volunteer regional branches which involve many retired British Officers of the Brigade of Gurkhas and Trust supporters. Collectively they continue to raise in excess of £100,000 each year and sustain an important level of awareness of the Trust and its objects amongst the general public.

Investment Policy

Trust investment policy is to provide revenue for the Trust's current purposes and enhance income and capital growth over the long term, thereby allowing the Trust to meet current and future objectives in accordance with the purposes of the Trust. The Trust does not own any real estate. Income from investments was almost £1 million, well in excess of its target of £750,000.

Reserves Policy

With a clear and long-term objective to supporting the welfare pensioners in their declining years, the GWT, with its current assets, is in many respects an under-funded pension and medical fund. As with pension funds, relatively small changes in benefit levels and other factors can have a significant impact on the future costs, and in previous years the Trustees have drawn attention to the fact that a substantial proportion of the Trust's assets will be needed simply to service current levels of benefit.

This year the introduction of SORP 2005 has given an added impetus to the need for a more reliable assessment of the present value of the expenditure which the Trust is already planning to make on behalf of its beneficiaries. SORP 2005 requires that, where such "constructive obligations" exist, even though they are not legally-binding liabilities, they should be recognised on a charity's balance sheet.

Accordingly the Trustees commissioned an actuarial assessment of the net present value of the future benefit payments as at 30 June 2006. As a result a constructive obligation of £24,880,000, including both welfare pensions and the costs of medical care, is now recognised on the Trust's balance sheet.

This represents a substantial change in the appearance of the Trust's balance sheet. It is, however, broadly in line with the indicative figures given in last year's Annual Report. In the context of implementing the recommendations of the Strategy Review, this information will be of enormous value in enabling the Trustees to consider with greater reliability the impact of changes in future benefits.

Moreover the change does highlight with great clarity that the Trust must continue to focus efforts on actively fundraising to ensure that expenditure plans can be sustained without detriment to the core programme of provision of welfare pensions and medical care.

After taking into account this constructive obligation, the net unrestricted funds of £7,070,000 represent just under 3 years of the Trust's support costs and about 12 months' of total expenditure. In the opinion of Trustees, this level of reserves is appropriate, given

the significant uncertainties in terms of future investment performance and voluntary income which may impact upon the Trust, and the sensitivity of the actuarial valuation to the choice of assumptions, particularly regarding future expenditure growth.

(5) Plans for the Future

The Trustees recognise that the Trust now has a substantial capital base and an income from investments, legacies and fundraising at least equal to the cost of current welfare commitments. In light of this the Trust has recently completed a Strategy Review against the following Statement of Intent:

"Over the next five years the GWT will make full use of its resources to provide enhanced welfare support by financial and other means to help the poorest and most deserving of Gurkha Ex-servicemen and their dependants in Nepal and India and improve their quality of life."

The Review looked at all the Trust programmes and came to the conclusion that each of the activities undertaken in Nepal was sound. The Review also acknowledged that support to the ageing population of welfare pensioners would remain the Trust's priority activity for the foreseeable future. The Review concluded that in future pensions should be reviewed annually against a target increase of the cost of living index plus 5%. This would provide real improvement to the quality of life of the welfare pensioners, especially as they entered the final years of their lives. Whether the Trust achieves this will depend principally on the generosity of donors.

Additionally the Review recommended the establishment of a number of residential homes to provide support to the increasing number of elderly welfare pensioners who have no immediate members of their family to support them in their final years. The Trustees have authorised a pilot scheme to confirm the need for this kind of support and to identify the resources required to provide it.

There was also recognition of the need to improve the availability of medical support to welfare pensioners, not just from the Trust's network of AWCs, but also to provide medical support to the more remote areas of Nepal where many of the Trust's ageing welfare pensioners live. Specifically the Review recommended that the number of medical camps in remote areas should be increased and more doctors should be provided at AWCs.

The Review also concluded that more could and should be done to enhance the Trust's programme for student education, to include a programme of vocational as well as academic training.

The Trust's balance of investment in community aid was considered to be sound. In particular, the importance of the Rural Water and Sanitation Project, funded by DFID was reaffirmed. The Review also identified a need to adjust the Trust policy of construction of major schools in the hills with the aim of developing a new programme for schools and educational facilities in the urban areas where an increasing number of ex servicemen, and their sons and daughters, now live. Commensurate with this change the Review also concluded that expenditure on minor school projects should be increased.

The Review acknowledged that with improving road communications in Nepal the extensive network of AWCs maintained by the Trust may no longer appropriate. However, in reducing the number of AWCs a balance has to be struck between the GWS's ability to reach deep into the hills in support of welfare activities, against the need to ensure efficiencies.

The Review also addressed the needs of an increasing number of ex-members of the Brigade of Gurkhas who, having returned to the United Kingdom after retirement, need welfare support. It concluded that the Trust should not try to duplicate the role of the many ex-Service charities already present in the United Kingdom, but should work with them in ensuring welfare support was provided to ex-members of the Brigade and their dependants when required. Trustees have agreed that this support should be coordinated and provided by the Army's premier charity, the Army Benevolent Fund, with both the Trust and the serving Brigade of Gurkhas in support.

The reputation of the Trust and its ability to deliver welfare support to those in need in a cost-effective and timely manner depends largely on the Staff of the GWS. The Review noted that their terms and conditions of service have fallen behind in comparison with other, equivalent, forms of employment in Nepal. A review of their terms and conditions of service is required to ensure that the Trust can continue to recruit and retain high quality staff in the future. This will be undertaken in a subsequent period.

Finally, the Review recommended that Trust governance arrangements should be reviewed separately. This review will be completed and implemented during a subsequent period.

(6) Statement of Trustees' Responsibilities in Relation to Financial Statements

The Trustees prepare financial statements for each year which give a true and fair view of the state of affairs of the Trust as at the end of the financial period, and of its incoming resources and application of resources for the period. In preparing the financial statements, appropriate accounting policies have to be used and applied consistently, and reasonable and prudent judgements and estimates have to be made. Applicable accounting standards have to be followed as do the requirements of the Charities Act 1993, the Companies Act 1985 and Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2005). The Trustees are also responsible for safeguarding the assets of the Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities. Proper books of account must be kept in respect of the affairs of the Trust. The financial statements have to be prepared on a going concern basis unless it is inappropriate to assume that the Trust will continue to operate.

Each Trustee confirms that:

- Insofar as the Trustee is aware there is no relevant audit information of which the Trust's auditors are unaware.

- The Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

(7) Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the charitable company will be proposed at the annual general meeting.

By order of the Trustees.



Sir Philip Trousdell
Lieutenant General, Chairman

26 February 2007

Independent auditors' report to the members of the Gurkha Welfare Trust

We have audited the financial statements of the Gurkha Welfare Trust for the year ended June 30th 2006 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies therein.

Respective responsibilities of directors and auditors

As described in the Statement of Trustees' Responsibilities the Trustees are responsible for preparing the 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) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the Trustees' Report is consistent with the financial statements. We also report to you, if in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Trustees' 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 charitable 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 at 30th June 2006 and of its net incoming resources, including its income and expenditure, and cash flows for the year then ended;
- and 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

28th February 2007

Statement of financial activities for the year ended 30 June 2006 (including the income and expenditure account)

	Notes	Unrestricted General £000	Designated £000	Restricted Income £000	2005/06 Total £000	Restated 2004/05 Total £000
Incoming resources						
Incoming resources from generated funds:						
<i>Investment income</i>	4a	956	41	0	997	833
<i>Voluntary income:</i>						
Legacies	4b	1,730	0	20	1,750	2,304
Donations	4c	803	0	3,042	3,845	3,861
Government grants:						
Ministry of Defence		0	0	905	905	853
Department for International Development		0	0	1,192	1,192	1,438
<i>Activities for generating funds</i>	4c	131	0	0	131	136
Total incoming resources		3,620	41	5,159	8,820	9,425
Resources expended						
<i>Cost of generating funds:</i>						
Fundraising costs	6	379	0	8	387	501
Investment management fees	6	112	0	0	112	81
<i>Direct charitable activities in Nepal</i>						
Individual aid	5 & 6	445	11	3,278	3,734	2,971
Medical aid	5 & 6	428	0	339	767	640
Community aid	5 & 6	40	30	1,460	1,530	1,790
<i>Governance costs</i>	6	253	0	7	260	223
Total resources expended		1,657	41	5,092	6,790	6,206
Net incoming resources before other recognised gains and losses	7	1,963	0	67	2,030	3,219
Net gains on investment assets	11	3,075	238	0	3,313	3,120
Net movement in funds		5,038	238	67	5,343	6,339
Net assets transferred from predecessor trust		0	0	0	0	20,859
Funds as previously stated		25,073	1,601	524	27,198	0
Prior year adjustment	3	(24,880)	0	0	(24,880)	(24,880)
Funds brought forward as restated		193	1,601	524	2,318	(24,880)
Total fund carried forward as restated	8,9&10	5,231	1,839	591	7,661	2,318

There are no other gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been prepared. All of the Trust's activities are derived from continuing operations.

The notes on pages 19 to 30 form part of these accounts.

Balance sheet at 30 June 2006

	Notes	2005/06		Restated 2004/05	
		£000	£000	£000	£000
Investments	11		30,995		25,820
Current assets					
Debtors	12	799		956	
Cash		909		812	
		<hr/>		<hr/>	
		1,708		1,768	
Current liabilities					
Accruals and deferred income	13&14	(162)		(390)	
		<hr/>		<hr/>	
Net current assets			1,546		1,378
Constructive obligations (Welfare pensions and medical benefit)	15		(24,880)		(24,880)
			<hr/>		<hr/>
Net assets			7,661		2,318
			<hr/>		<hr/>
Representing:					
Unrestricted funds					
General	10		30,111		25,073
Designated	8&10		1,839		1,601
			<hr/>		<hr/>
Charitable unrestricted funds excluding welfare pensions and medical benefit reserve			31,950		26,674
Welfare pensions and medical benefit reserve			(24,880)		(24,880)
			<hr/>		<hr/>
Total charitable unrestricted funds			7,070		1,794
Restricted funds	9&10		591		524
			<hr/>		<hr/>
Total funds			7,661		2,318
			<hr/>		<hr/>

Approved by the Trustees on 26 February 2007 and signed on their behalf by:



Sir Philip Trousdell
Lieutenant General, Chairman
26 February 2007

The notes on pages 19 to 30 form part of these accounts.

Cash flow statement for the year ended 30 June 2006

	Notes below	2005/06 £000	2004/05 £000
Net cash inflow from operating activities	(a)	962	1,918
Returns on investments and servicing of finance			
Investment income received		997	833
Capital expenditure and financial investment			
Purchase of investments		(9,349)	(7,050)
Proceeds from sale of investments		7,161	4,135
Net cash (outflow) before management of liquid resources		(229)	(164)
Cash deducted from short term deposits		326	407
Increase in cash in the year		97	243
Net cash resources at 1 July 2005		812	569
Net cash resources at 30 June 2006 (excluding cash and short term deposits held as part of investment portfolio)	(b)	909	812

Notes:**(a) Net cash inflow from operating activities**

Net income	2,030	3,219
Decrease / (increase) in debtors	157	(565)
(Decrease) / increase in accruals and deferred income	(228)	97
Investment income received	(997)	(833)
	962	1,918

(b) Analysis of net funds

	30 Jun 2006 £000	1 Jul 2005 £000	Cash flow in year £000
Cash	909	812	97
Cash and short term deposits held as part of investment portfolio	3,204	3,530	(326)
	4,113	4,342	(229)

Notes to the accounts for the year ended 30 June 2006**1. Basis of preparation**

The accounts are drawn up in accordance with applicable accounting standards, including the requirements of the Statement of Recommended Practice (SORP) 2005, 'Accounting and Reporting by Charities' and the Companies Act 1985.

The financial statements have been prepared in accordance with the historical cost convention as modified for the revaluation of investments.

In line with many other charities, the Trustees took the decision to change the legal status of the charity from a charitable trust to an incorporated charity (a company limited by guarantee). The incorporated charity was established on 8th April 2004. The transfer of trusteeship of the assets of the charity took effect from the end of business on 30th June 2004. These are the second financial statements of the incorporated charity.

The GWT has not prepared consolidated financial statements for itself and its wholly owned subsidiary GWT Trading Ltd, because the group is medium-sized as defined by Financial Reporting Standard 2. Information concerning the subsidiary company is given in note 10. In accordance with the SORP the net assets of the branches are included in the accounts.

The other members of the GWF during this period, namely GWTF(USA) and KAAA, are independent charities and prepare separate accounts. GWTF(USA) closed as a foundation and ceased to be a member of the GWF on 31 December 2005.

2. Principal accounting policies

A summary of the more important accounting policies, which have been applied consistently, is set out below:

(a) Investments

Listed investments are stated in the balance sheet at their middle market values. All movements in value arising from investment changes and revaluations are included in the Statement of Financial Activities (SOFA).

(b) Income

Income from equity investments, bank interest, donations, legacies and net income from fundraising are all included in the accounting period on a receivable basis, when there is a legal entitlement and the amount can be quantified with reasonable accuracy. Government and other grants are credited to incoming resources in the period in which they are receivable. When government and other grants are received in advance they are treated as deferred income.

(c) Expenditure

All expenditure is included in accordance with the accruals concept. Any liabilities as a result of legal or constructive obligations committing the Trust to expenditure have been included.

Notes to the accounts for the year ended 30 June 2006 (continued)

2. Principal accounting policies (continued)

Cost of generating funds comprises those costs directly attributable to fundraising and managing the investment portfolio. Governance cost comprises the costs of running the Trust's London office. Staff costs have been allocated in a fair and appropriate method to fundraising and governance on the basis of time spent on each function. Any irrecoverable VAT is charged directly to the SOFA.

Grants payable to individuals are subject to conditions. They are recognised as expenditure when the conditions attached to them have been fulfilled.

(d) Foreign currencies

Assets and liabilities in foreign currencies are converted into sterling at the exchange rate ruling at the balance sheet date. Transactions during the year in foreign currencies, mainly Nepalese rupees, are converted into sterling at the average rate of exchange for the year. Differences in exchange are accounted for in direct charitable expenditure in Nepal.

(e) Pensions

The Trust makes contributions to individual defined contribution pension plans held by the employees and does not operate a separate pension scheme for the Trust. Pension contributions are charged to the SOFA on the basis of amounts payable for the period.

(f) Fund accounting

Funds held by the Trust are either:

Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

Designated funds – these are funds set aside by the Trustees out of unrestricted general funds for specific purposes.

Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the Trust. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

3. Prior year adjustment

Note 15 explains the treatment which has been adopted for the first time this year in recognising on the balance sheet the net present value of future long-term benefit payments to ex-Gurkhas and their dependants, based on an actuarial assessment as at 30 June 2006.

As there is no historic information available as to what the equivalent figure would have been at 1 July 2005 and 1 July 2004, the change in accounting policy has been reflected by including the same figure as a long-term creditor in the balance sheet at each of those dates. The Trustees are satisfied that this approach is justified in terms of the significance

Notes to the accounts for the year ended 30 June 2006 (continued)

3. Prior year adjustment (continued)

of this item to the Trust and it does not represent a material misstatement in the amounts charged to the Statement of Financial Activities in the year.

The effect of the change is to reduce net funds by £24.88 million at both 30 June 2005 and 2006.

In future years, changes in the assessment during the year will be recognised as movements in the Statement of Financial Activities.

4. Incoming resources

	2005/06 £000	2004/05 £000
<i>a. Investment income</i>		
Dividends	794	634
Transitional tax credit	4	3
Interest	199	196
	-----	-----
	997	833
	=====	=====

b. Legacies

Of the total sum of £1,750,000 (2004/05: £2,304,000) received from legacies during the year £217,000 was received from a legacy from the late Mrs J M H Moore, a further £319,000 (2004/05: £840,000) was received from a legacy from the late Mr N McLennan and a further £7,825 (2004/05: £283,000) from a legacy from the late Mr E H Rothwell, all for unrestricted use.

c. Donations and activities for generating funds

	2005/06 £000	2004/05 £000
Donations from individuals	2,919	2,928
Donations from companies, trusts, clubs and organisations	877	838
Other income	49	95
	-----	-----
	3,845	3,861
Fundraising events	131	136
	-----	-----
	3,976	3,997
	=====	=====

Donations from individuals include contributions under the 'One Day Pay Scheme' of £193,000 (2004/05: £175,000) made by all ranks of the Brigade of Gurkhas (including Nepali contract civilians) and the Gurkha Contingent of the Singapore Police.

Notes to the accounts for the year ended 30 June 2006 (continued)

5. Direct charitable activities in Nepal

The amount spent on charitable activities, including support costs is analysed by activity in the following table:

Activity	Activity undertaken directly £000s	Activity funded by grants £000s	Support costs £000s	2005/06 Totals £000s	Restated 2004/05 Totals £000s
a. Individual aid:					
i. <i>Welfare pensions</i>	2,866		470	3,336	2,640
ii. <i>Hardship grants</i>	21		168	189	158
iii. <i>Education grants</i>	107		102	209	173
Total individual aid	2,994		740	3,734	2,971
b. Medical Aid	492	61	214	767	640
c. Community aid	299	502	729	1,530	1,793
	-----	-----	-----	-----	-----
Total spend on charitable activities	3,785	563	1,683	6,031	5,404
	=====	=====	=====	=====	=====

The relatively high cost of delivering hardship grants reflects the need for detailed investigations to be carried out by GWS staff to ensure all claims are genuine and that the relief provided is appropriate.

a. Individual aid

- i. **Welfare pensions:** 10,005 welfare pensioners at the beginning of the year and 10,542 at the end (2004/05: 10,246 and 10,005 respectively).
- ii. **Hardship grants:** 429 cases (2004/05: 463).
- iii. **Education grants:** 1,828 students benefited (2004/05: 1,702).

b. Medical aid

The Trust supported 106,287 attendances (2004/05: 99,273) for medical aid, of which 43,523 individuals (2004/05: 41,195) benefited from primary and secondary health care treatment and 17,415 patients (2004/05: 10,684) benefited from treatment at six KAAA funded eye/dental camps (2004/05: five). A Medical Subvention of £61,000 was provided from the MOD Grant in Aid (2004/05: £43,000).

Notes to the accounts for the year ended 30 June 2006 (continued)

5. Direct charitable activities in Nepal (continued)

c. Community aid

	2005/06	Restated 2004/05
	£000	£000
GWT funded:		
Schools construction, support and maintenance	343	355
DFID funded:		
Water schemes and projects	1,187	1,435
	<u>1,530</u>	<u>1,790</u>

The GWT's schools programme consisted of the construction of 8 schools and the completion of 67 minor school projects (2004/05: 8 and 95 respectively). Over 25,000 students benefited (2004/05: 33,000). A total of 11 employees are employed as GWS school project staff (2004/05: 11).

DFID water projects involved 60 new schemes (2004/05: 66) and the maintenance and repair of 21 existing ones (2004/05: 33). In total 1,006 tap stands and 17 school latrines were installed or renewed (2004/05: 1,076 and 16 respectively). Over 17,000 people benefited (2004/05: 20,800).

6. Support costs, cost of generating funds and governance

a. Allocation of costs

Cost categories	Activity:			Total individual aid £000s	Med Aid £000s	Comm Aid £000s	Cost of generating funds £000s	Governance £000s	2005/06 £000s	Restated 2004/05 £000s
	Wel pens £000s	Hd'ship grants £000s	Edn grants £000s							
Nepal:										
GWS	470	168	102	740	214	42		4	1,000	803
DFID						687		3	690	982
Total Nepal	470	168	102	740	214	729		7	1,690	1,785
UK:										
Staff costs							105	111	216	232
Temporary staff							42		42	25
Professional fees							112	15	127	110
Information technology							16	20	36	29
Office administration							224	107	331	402
Total UK							499	253	752	798
Total costs	470	168	102	740	214	729	499	260	2,442	2,583

Notes to the accounts for the year ended 30 June 2006 (continued)

6. Support costs, cost of generating funds and governance (continued)

b. Support and governance costs in Nepal

Support costs in Nepal have been allocated to activity cost categories in a fair and appropriate method on a basis consistent with the use of resources by applying man days spent on the various activities:

	Restated	
	2005/06	2004/05
	£000	£000
GWS Nepal (funded mostly by MOD):		
Staff costs – 155 employees (2004/05: 155)	758	589
Administration costs and infrastructure improvements	242	214
	-----	-----
	1,000	803
	=====	=====
DFID (funded wholly by DFID):		
Staff costs – 138 employees (2004/05: 138)	510	467
End of contract payment	47	117
Administration costs	92	160
Infrastructure and experimentation	41	238
	-----	-----
	690	982
	=====	=====
Total (includes £7,000 governance costs)	1,690	1,785
	=====	=====

c. Cost of generating funds and governance costs in UK:

	Restated	
	2005/06	2004/05
	£000	£000
Staff salaries and benefits	185	195
Social security costs	20	20
Defined contributions pension costs	11	17
Temporary staff	42	25
Investment management fees	112	81
Audit fee, excluding VAT	13	12
Appeals and advertising	201	332
Office and other costs	168	116
	-----	-----
	752	798
	=====	=====
Apportioned as follows and consistent with the use of resources:		
Fundraising costs	387	501
Investment management fees	112	81
	-----	-----
Cost of generating funds	499	582
Governance costs	253	216
	-----	-----
	752	798
	=====	=====

Notes to the accounts for the year ended 30 June 2006 (continued)**6. Support costs, cost of generating funds and governance (continued)**

Cost of generating funds comprise those costs directly attributable to fundraising and managing the investment portfolio. Governance costs comprise the costs attributable to running the Trust's London office inclusive of professional fees incurred in UK and in Nepal.

In 2005/06 the Trust employed in the UK 5 full time equivalent employees (2004/05: 5 full time employees). Staff salaries and office and other costs are apportioned between fundraising and governance on the basis of the estimated time spent on each activity.

No employee of the Trust earned more than £60,000 in either year.

Some temporary staff is also employed by the Trust from time to time.

In 2005/06 expenses of £2,661 (2004/05: £1,566) were refunded to two Trustees for travel and subsistence in respect of a visit to Nepal and attendance at meetings at the GWT London office.

Trustee indemnity insurance has been purchased at an annual premium cost of £2,567 (2004/05: £2,572) inclusive of insurance premium tax.

7. Net income for the period

This is stated after charging:

	2005/06	2004/05
	£000	£000
Audit fees, excluding VAT (UK and Nepal)	20	19
Other auditors' remuneration	0	6
Operating lease payments (expiring within 2 to 4 years)	18	17
	<hr/>	<hr/>
	38	42
	<hr/>	<hr/>

8. Unrestricted funds of the charity

Unrestricted funds, both general and designated, are expendable at the discretion of the Trustees in the furtherance of the Trust's objectives. The designated funds have been earmarked by the Trustees for particular purposes but the designations have an administrative purpose only and do not legally restrict the Trustees' discretion to apply the funds.

Notes to the accounts for the year ended 30 June 2006 (continued)

8. Unrestricted funds of the charity (continued)

The Trust's designated funds consist of monies contributed or donated by the following:

	Balance at 1 July 2005 £000	Incoming resources for the year £000	Outgoing resources or the year £000	Net investment gains £000	Balance at 30 June 2006 £000
<i>For grants to individuals:</i>					
Educational purposes:					
Sir Omar Ali fund	274	7	(7)	41	315
Walker fund	91	3	(3)	14	105
Ochterlony fund	50	1	(1)	7	57
	-----	-----	-----	-----	-----
	415	11	(11)	62	477
	-----	-----	-----	-----	-----
<i>For community aid:</i>					
School builds:					
Trailwalker UK fund	1,186	30	(30)	176	1,362
	-----	-----	-----	-----	-----
Total designated funds	1,601	41	(41)	238	1,839
	=====	=====	=====	=====	=====

The initial funds of the GWT in 1994 were contributed by the old GWT (£9,587,000), the Sir Omar Ali Fund (£189,000) and the Walker Scholarship Fund (£64,000). The latter two funds were established to fund education in Nepal. They are no longer accounted for separately but the Trustees ensure that expenditure on education continues although there is no legal obligation to do so.

In 1997 the Trailwalker Charitable Trust (Trailwalker) transferred £1,023,000 of its capital to the GWT on the understanding that it would be used for school building and maintenance in Nepal and identified within the GWT's funds in the same way as the Sir Omar Ali and Walker Scholarship funds. Similarly, in December 1997, E W Ramsay Esq donated a capital sum of £50,000 to the GWT on the understanding that it would be known as the Ochterlony Fund in memory of his great, great, great grandfather Major General Sir David Ochterlony Bt GCB and used to fund education grants for children of needy Gurkha ex-servicemen in Nepal. This sum is also managed and identified within the GWT's funds in the same way as the aforementioned funds. The Trustees intend to respect the wishes of the Trailwalker Charitable Trust and E W Ramsay Esq although there is no legal requirement to do so.

Notes to the accounts for the year ended 30 June 2006 (continued)

9. Restricted funds of the charity

Restricted funds consist of unexpended amounts of monies contributed or donated for specific purposes.

	Balance at 1 July 2005	Incoming resources in the year	Outgoing resources in the year	Balance at 30 June 2006
	£000	£000	£000	£000
<i>Grants to individuals:</i>				
Welfare pensions	21	1,203	(1,201)	23
Hardship	0	15	(15)	0
Education	5	41	(39)	7
General individual aid	0	1,394	(1,394)	0
	-----	-----	-----	-----
	26	2,653	(2,649)	30
Medical	0	97	(97)	0
	-----	-----	-----	-----
	26	2,750	(2,746)	30
	-----	-----	-----	-----
<i>Community aid</i>	209	277	(235)	251
	-----	-----	-----	-----
<i>Director GWS Discretionary Fund</i>	104	23	(23)	104
	-----	-----	-----	-----
<i>UK fundraising and administration</i>	0	12	(8)	4
	-----	-----	-----	-----
<i>MOD Grant in Aid</i>	185	905	(888)	202
	-----	-----	-----	-----
<i>DFID grants</i>	0	1,192	(1,192)	0
	-----	-----	-----	-----
Total restricted funds	524	5,159	(5,092)	591
	=====	=====	=====	=====

10. Analysis of net assets between funds

	General funds	Designated funds	Restricted funds	Total
	£000	£000	£000	£000
Investments	29,156	1,839	-	30,995
Current assets	1,117	-	591	1,708
Current liabilities	(162)	-	-	(162)
Constructive obligations	(24,880)	-	-	(24,880)
	-----	-----	-----	-----
	5,231	1,839	591	7,661
	=====	=====	=====	=====

Notes to the accounts for the year ended 30 June 2006 (continued)

11. Investments	2005/06	2004/05
	£000	£000
Listed investments		
<i>Fixed interest</i>		
UK	2,367	2,306
Overseas	532	332
	-----	-----
	2,899	2,638
	-----	-----
<i>Equities</i>		
UK	13,221	12,368
Japan	728	522
Europe	2,960	2,401
North America	2,264	1,759
Latin America	484	280
Pacific Basin	1,278	760
Other Overseas	3,172	1,227
	-----	-----
	24,107	19,317
	-----	-----
<i>Property unit trusts</i>	785	335
	-----	-----
	27,791	22,290
	-----	-----
Cash held as part of investment portfolio	3,204	3,530
	-----	-----
	30,995	25,820
	=====	=====

Major movements in investments during the year were:

	£000
Opening market value	22,290
Purchases	9,349
Sales	(7,161)
Realised and unrealised gains	3,313

Closing market value	27,791
	=====

The historical cost of investments at 30 June 2006 (excluding investment cash) was £22,687,000 (30 June 2005: £19,078,000).

The following investments individually contributed more than 5% of the value of the accumulated fund:

	Market value	% of
	£	fund
<i>Global/International Equity Funds:</i>		
Bedlam Funds plc Global Fund Class 'A' (Inc) NAV	1,981,763	6.09

Notes to the accounts for the year ended 30 June 2006 (continued)

11. Investments (continued)

Investment in subsidiary:

At 30 June 2005 and 2006, GWT owned 100% of the issued share capital of GWT Trading Ltd, being 2 ordinary shares with a nominal value of £1. The Board of Directors of GWT Trading Ltd passed a resolution to suspend trading activities and made the company dormant. As a result, the trading subsidiary had £nil turnover for the year (2004/05: £5,000) and therefore no available profit (2004/05: £4,000) was donated to the GWT by deed of covenant. Net assets at 30 June 2006 were £2 (2005: £2).

12. Debtors

	2005/06	Restated 2004/05
	£000	£000
Accrued investment income	51	35
Amount due from subsidiary	0	8
Prepayments	24	23
Legacies	533	582
Other debtors	191	308
	-----	-----
	<u>799</u>	<u>956</u>

13. Accruals and deferred income

	2005/06	2004/05
	£000	£000
Other creditors and accruals	116	100
Deferred income (note 13)	46	290
	-----	-----
	<u>162</u>	<u>390</u>

14. Deferred income

Deferred income consists of DFID grants received and disbursed on its behalf on community aid, principally water projects, and support costs.

	2005/06	2004/05
	£000	£000
Balance at 1 July 2005	290	218
Grant received	948	1,510
Released to statement of financial activities	(1,192)	(1,438)
	-----	-----
Balance at 30 June 2006	<u>46</u>	<u>290</u>

Notes to the accounts for the year ended 30 June 2006 (continued)

15. Constructive obligations

The Trust has a long-term constructive obligation, as defined by SORP 2005, in respect of its welfare pensions and provision of medical aid to both welfare pensioners and service pensioners and their dependants. SORP 2005 requires that such "constructive obligations", even though they are not legally-binding liabilities, be recognised on a charity's balance sheet.

An independent actuarial assessment of the net present value of these future payments has been obtained using the following key assumptions:

Current levels of benefit are NCRs 40,000 per annum for welfare pensions and NCRs 2,000 per annum for medical benefits – it has been assumed that these will increase in line with inflation.

There are 10,542 welfare pensioners between the ages of 50 and 100 (average age 75). There are other ex-Gurkhas who are eligible to claim benefits; these, however, have not been included as there is insufficient information available.

For medical benefits, the number of current beneficiaries is 43,523, which includes not only the welfare pensioners and their dependants but also the service pensioners and their dependants, although the costs in the latter category are subject to a partial contribution by the recipient.

Inflation has been assumed at 4% pa, which is based on current expectations in Nepal.

The future payments have been discounted at 8% pa, a rate recommended by the actuary and which represents an average yield on high-quality bonds in Nepal.

A current exchange rate of NCRs 138 / £1 has been used.

It is estimated that there may be as many as 3,000 ex-Gurkhas who left the service in the late 1960's and early 1970's who are not in receipt of a service pension. No account has been taken of these potential new beneficiaries in this calculation, as the potential uncertainty surrounding the proportion that might eventually become claimants, and their demographics, is too great at this stage.