

**The Gurkha Welfare Trust
Annual Report and Accounts**

Year ended 30 June 2011

**Company Limited by Guarantee Number
5098581**

**Registered Charity Number
1103669**

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The Gurkha Welfare Trust
Annual report and accounts for the year ended 30 June 2011

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The Gurkha Welfare Trust

**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
Miss Joanna Lumley OBE

Trustees, Officials and Advisors

Trustees

General Sir David Richards GCB CBE DSO ADC Gen (Chairman)
Brigadier J A Anderson
Lt Gen Sir David Bill KCB (wef 1 Jan 11)
J J Brade Esq MBE
Mrs D Donovan
F Dufficy Esq
Brigadier A Fay (wef 1 Jan 11)
Colonel D G Hayes CBE
D J Hitchcock Esq
The Lord Janvrin GCB GCVO QSO PC
Brigadier J C Lawrence MBE
Brigadier S M A Lee OBE
G P McNaught Esq CA
Brigadier N A W Pope CBE
Brigadier G Ratcliffe

Investment Committee

D J Hitchcock Esq (Chairman)
J J Brade Esq MBE
P M Rigg Esq
C Gate Esq

Audit Committee

G P McNaught Esq CA (Chairman)
Brigadier J A Anderson
Brigadier G Ratcliffe

Director The Gurkha Welfare Trust

Colonel W F Shuttlewood OBE

Director The Gurkha Welfare Scheme

Colonel A Mills

Field Director The Gurkha Welfare Scheme

Lieutenant Colonel A P M Griffith RGR (to 31 Jan 11)

Lieutenant Colonel J Fenn (from 1 Feb 11)

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Company Limited by Guarantee Number

5098581

Registered Charity Number

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Trustees' Report for the Year ended 30 June 2011

This report is drawn up in accordance with applicable accounting standards, including the Charities (Accounts and Reports) Regulations 2008 and the requirements of the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' issued in 2005 and the Companies Act 2006

(1) Structure, Governance and Management

General

The Gurkha Welfare Trust (the GWT or Trust) was established in 1969. Its purpose is the relief of 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 and more recently in support of ex-Gurkhas in UK.

Trust Structure

The Trust's headquarters is at Salisbury, Wiltshire. In Nepal aid is delivered by the Trust's field arm, the Gurkha Welfare Scheme (GWS), via its network of 19 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.

In UK the Gurkha Welfare Centre at Salisbury provides an initial point of contact with advice on statutory entitlements and guidance on welfare support to ex-Gurkhas in UK who find themselves in need. A subsidiary office has also been established at Aldershot, a major concentration of retired ex-Gurkhas.

Trust Governance

The development and execution of Trust policies is the responsibility of a Board of Trustees that meets four times each year. Their agenda is supported by a series of subordinate committees that consider investment and audit matters and the day-to-day management of the Trust.

The Trust's governance arrangements were initially reviewed in May 2007 and resulted in a number of changes to the composition of the Trust's Board, specifically an increase in the number of Co-Opted Trustees to provide a wider variety of backgrounds and experience relevant to the Trust and its programme of activities. The procedures for the recruitment, selection and appointment of Trustees and their subsequent induction and training were revised and new terms of reference for the Board and its subordinate committees were introduced. These arrangements were subject to external review in 2010 to ensure that the Trust remains able to adapt with confidence to emerging legislation in UK and meet the changing needs of the welfare community in Nepal and UK. Trustees continue to review the governance arrangements on an annual basis.

The Trust's Director is responsible for the day-to-day operation of the Trust. He directs and coordinates the work of the Salisbury headquarters and oversees the work of the Gurkha Welfare Centre. 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 field staff and the infrastructure of AWCs.

Trustees' Report for the Year ended 30 June 2011 (continued)

Implementing Partners

In Nepal the Trust works closely with 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 Trust builds water and sanitation projects in Nepal assisted by a generous annual grant provided by the British Government's Department for International Development (DfID). The Ministry of Defence (MOD) continues to provide an annual Grant in Aid to cover a portion of the staff and administrative costs of the GWS and its AWCs.

In UK the Trust works closely with both relevant Government Departments and key Service charities to enable the delivery of statutory and welfare support to ex-Gurkhas and their dependants seeking settlement.

(2) Objects and Activities

The Trust was initially established by Trust deed in November 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 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.

Trust activities continue to be developed in accordance with the Strategy Review conducted in 2005.

- 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 Review concluded that this would remain the Trust's priority activity for the foreseeable future.
- 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 of Gurkhas and their dependants living in Nepal and who are in receipt of a military pension.

Trustees' Report for the Year ended 30 June 2011 (continued)

- The maintenance of a student grant programme for children of ex-servicemen, to include in future the provision of vocational as well as academic training
- The provision of welfare 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 and maintenance programme
 - The provision of sanitation and water in remote areas
 - In conjunction with KAAA, the construction of bridges, micro hydro-electric schemes and cliff tracks in support of the development of Nepal's infrastructure
- The establishment of a series of residential homes in support of those increasingly elderly welfare pensioners who have no immediate members of family or community to support them in their declining years and who live in extreme circumstances of poverty and distress

(3) Trust Strategy

In 2010 Trustees directed that an external review on the Trust should be carried out by New Philanthropy Capital, a consultancy dedicated to “helping funders and charities to be a greater impact and to ensure that both are as effective as possible in changing people’s lives and in tackling social problems. The review underscored the Trust’s core function to deliver high quality services to remote regions across Nepal, delivering pensions and community aid to ex servicemen, their widows and the wider community. Its observations and recommendations on all areas of the Trust’s structure, its activities and its relationship with its implementing partners and others, will inform the Trust’s next Strategy Review, currently under development.

In the interim, Trustees decided to act quickly on two of the review’s key recommendations to underpin the Strategy Review: the need for a Trust Vision and, in an increasingly uncertain financial climate, to identify priorities for expenditure on welfare activities.

- **Vision:** Trustees agreed a Vision as follows

Gurkhas living out their lives with dignity

- **Priorities:** Trustees agreed priorities in the following order.
 - 1 The provision of a welfare pension
 - 2 The provision of welfare/emergency grants
 - 3 The development of a number of residential homes
 - 4 The provision of medical support
 - 5 The provision of water and sanitation in support of Gurkha communities
 - 6 The provision of education facilities in support of Gurkha communities and education grants to the children of ex-Gurkhas

Finally, against the rising numbers of ex-Gurkhas seeking settlement in UK the New Philanthropy Capital review provided Trustees with the opportunity to reaffirm the focus of the Trust’s work and its associated activities. Nepal

Trustees' Report for the Year ended 30 June 2011 (continued)

(4) Achievements and Performance

Nepal: Individual Aid - Welfare Pensions

Trustees have reaffirmed the vital importance of the payment of welfare pensions to needy Gurkha ex-servicemen and their widows in a country which has no welfare state and whose economic circumstances are parlous. This programme is the Trust's top priority. In doing so Trustees continue to recognise the debt the nation owes to these ex-servicemen, the vast majority of whom fought in the Second World War, others more recently in the Malayan Emergency and Borneo Confrontation. All, due to demobilisation or redundancy, were not able to complete the 15 years service necessary to qualify for a military pension. They are now increasingly aged, unable to provide for themselves and have no alternative source of income or support. At the beginning of July 2010 there were 9,551 individuals in receipt of a welfare pension from the Trust.

During the past 12 months GWS staff have awarded 96 new welfare pensions, the majority to ex-servicemen who left the Brigade on redundancy in the late 1960s without a military pension and who, with increasing age, now find themselves in poverty and distress. The Trust's field staff have also reported the deaths of 800 welfare pensioners. Of this number, 165 welfare pensions were transferred to the widows who now make up over 50% of the welfare pension community. By the end of June 2011 the number of welfare pensioners had declined to 9,012, over half of whom were widows. The Trust expects this decline to continue over the next 20 years.

Each year Trustees conduct a comprehensive review of the rate of welfare pension. Their discussions are informed by the costing of a comprehensive basket of goods that provides nothing more than a basic standard of living in Nepal for the individual pensioner and his or her immediate family. In considering a change Trustees also take into account the long term effect of any increase on Trust finances in general and the extent of the Constructive Obligation in particular.

As a consequence, Trustees for FY 2010/11 agreed an increase to the rate of welfare pension from NPR 4,000 to NPR 4,200 per month (NPR 50,400 pa). This is less than ideal but reflects Trustees' concern over the decline in value of the £Sterling and the increasingly challenging fundraising climate. These concerns remain and for FY 2011/12 Trustees have agreed a limited uplift of 7% from NPR 4,200 to NPR 4,500 (NPR 54,000 pa).

Trustees continue to review the rate of welfare pension with the intention of increasing its value beyond the cost of living as and when the Trust's financial circumstances allow.

Nepal: Individual Aid – Welfare Grants

Welfare grants provide immediate relief in the event of a natural or other disaster that affect an individual's ability to sustain himself and his family. The intention is to enable the individual to recover quickly and become self-sufficient as soon as possible. All applications are thoroughly assessed on a needs basis. The Trust's ability to respond rapidly to a crisis lies at the heart of its role as the Brigade's charity for all ex-Gurkhas in need, poverty and distress.

During the year 318 welfare grants were awarded at a cost of £21,000. Almost three quarters of all grants awarded were for the immediate relief of destitution with the remainder in response to fire, flood and landslide damage.

Trustees' Report for the Year ended 30 June 2011 (continued)

In 2007 against a need to do more for our welfare pensioners, as and when funds allowed, Trustees introduced the payment of an annual Winter Allowance of approximately £10 to every welfare pensioner. This support was repeated during the year, at a cost of £100,000, which was met in entirety by a Trust supporter.

Trustees are conscious of the relatively high cost of delivering welfare grants. However, there is a continuing need for the Trust's field staff to carry out detailed investigations to ensure that all claims are genuine, that appropriate welfare support is provided and to avoid the potential for fraud. Costs are further increased by the requirement to maintain the substantial but essential infrastructure of AWCs to deliver aid, equipment, allowances and medical support to individuals in the hills.

Nepal: Individual Aid – Residential Homes

In 2007 Trustees agreed in principle the provision of a number of residential homes for those welfare pensioners and their widows who, for whatever reason, have become unable to fend for themselves and who have no immediate family or wider community to provide a reasonable level of daily support and companionship. Construction of the first of the homes at the Trust's AWC at Kaski in west Nepal was completed in May 2010. It now houses 26 residents, nine of whom are widows. Their average age is 88 years.

The capital cost of this Project has been met by a number of generous donors. Trustees intend that the direct annual running costs of £133,000 (£83,000 excluding depreciation) in FY 2010/11 are met either by the use of restricted funds provided specifically by Trust supporters or by general funds.

In view of the Trust's current financial circumstances and the present fundraising climate Trustees initially authorised the planning of a second home in east Nepal. The funds for the capital cost have been provided by a single donor and construction is to begin in FY 2011/12. Further homes will be constructed only when expenditure is without detriment to the Trust's other welfare activities and while a need remains.

Trustees remain extremely grateful to Lt Gen Sir Philip Trousdell, Chair of the Residential Homes Working Group, and the Group's members for their work in developing the Trust's Residential Homes Project.

Nepal: Individual Aid – Medical

The Trust Medical and Key Hospital Scheme is designed to provide both primary and secondary levels of medical care to all Gurkha ex-servicemen and their dependants, wherever they live in Nepal. Primary care is delivered via the Trust's network of AWCs, in each of which there is a full-time medical assistant and access to a doctor employed either directly by the Trust or seconded from the local community on a locum basis. Secondary care is provided by a number of selected hospitals within Nepal's medical infrastructure. In addition the Trust has recruited a further four doctors to enable the deployment of appropriate medical support to the point of need, wherever that might be in Nepal.

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 within the

Trustees' Report for the Year ended 30 June 2011 (continued)

Nepalese medical infrastructure continues to expand and improve. In 2010/11 the Trust's medical scheme provided 121,437 primary medical care appointments at the Trust's AWCs, a modest increase over the previous year. Secondary medical care was provided in support of 10,181 individuals, a slight reduction on the previous year. However, overall costs of the Scheme rose by over 10% reflecting the increased cost of medical support in Nepal and the range of medical services available.

The Trust, in conjunction with KAAA, also supported eight Eye/Gynaecological/ Dental Camps that treated a total of 14,558 individuals.

Nepal: Individual Aid – Student Grant Scheme

The Trust continues to provide funds in support of the education of children of ex-Gurkhas of the Crown, including vocational training. However, the parents of the children involved are no longer welfare pensioners but are those in receipt of a military pension. As a consequence Trustees regard this activity as a low priority compared to other demands on the Trust's resources and in due course their intention is that the Scheme will close. In FY 2010/11 only 406 students received grants in support of education at a cost to the Trust of £36,000. This is substantially less than the previous year and the numbers will continue to decline.

Nepal: Community Aid – Schools

The Trust has maintained a long-standing programme to improve the standard of education facilities in the Brigade's traditional recruiting heartlands. Since 1989 over 123 new schools have been constructed using Trust resources.

The Strategy Review 2005 identified that an increasing number of ex-members of the Brigade were settling in the towns rather than returning to their traditional hill villages. It deduced that an adjusted programme was required which was focused on the enhancement of existing education facilities in urban areas and the maintenance of existing schools. As a result in 2010/11 only one school was constructed using restricted funds at a cost of £64,000. The Trust also spent £104,000 on the maintenance, refurbishment and improvement of existing schools. This is a substantial reduction from previous years and reflects the reduced priority for this aspect of Trust welfare activities.

Nepal: Community Aid – Regional Water and Sanitation Projects (RWSP)

In partnership with DfID, the Trust runs an extensive programme of regional water and sanitation projects at a cost in 2010/11 of £1,501,000. A total of 80 projects were completed during the period, ranging from the drilling for water to the installation of tap stands and latrines in village communities. Twelve existing projects underwent major refurbishment and repair. Over 250,000 people have now benefited from this programme which continues to be an essential complement to other Trust activities for individual and community aid and which is held in high regard by the Government of Nepal. Funding for this Programme in FY 2010/11 was provided in equal part by DfID and the Trust.

For the future DfID has agreed to increase the level of funding to £1,000,000 at least to 31st March 2015. This will enable the Trust to maintain its current activity levels in support of rural water and sanitation whilst reducing the level of financial contribution from its own resources.

Trustees' Report for the Year ended 30 June 2011 (continued)

Nepal: Infrastructure and Staff

The Trust maintains a Headquarters in Pokhara in west Nepal that manages the activities of the Trust's network of AWCs in key locations throughout the Brigade's recruiting heartlands. 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. They also enable AWC Staff to respond quickly to applications for welfare support.

Within Nepal the GWS has an unparalleled reputation for integrity. This largely stems from the recruitment of key field staff exclusively from the ex-servicemen's communities in the UK and Nepal. Their military background makes them highly suitable for the demands placed upon them by the GWS.

The cost of delivering welfare support in Nepal during the year was £1,826,000, less than the previous year (£1,974,000) as a result of a reduction in staff numbers and a more favourable rate of exchange. Given the extent of welfare activities, Trustees consider this level of expenditure represents very good value for money. In doing so, they note the staff and the administrative costs of the GWS continue to be met in part by the Ministry of Defence (MOD) via an annual Grant in Aid (GIA). This has been a long-standing arrangement between the Trust and the MOD, originally predicated on the former raising funds and delivering aid wherever it is needed in Nepal, and the latter providing funds for the means of delivery. In 2010/11 a grant of £1,134,000 was paid by the MOD to the Trust.

Trustees place great emphasis on the recruitment and retention of high quality staff to work in support of the GWS. However, as a result of further recent changes to the immigration and settlement arrangements in UK for ex-members of the Brigade and their dependants, there is concern that the GWS will find it increasingly difficult to retain existing staff and recruit new staff from Service leavers and costs will continue to rise. As a result, Trustees intend to review the Terms and Conditions of Service for all GWS staff in FY 2011/12 to ensure they are both appropriate and provide value for money.

UK: Support to Ex-Gurkhas

In early 2010, against a backdrop of changes to the immigration arrangements for ex-Gurkhas, the Trust as the lead Gurkha charity established a Gurkha Welfare Centre in Salisbury with a forward office in Aldershot. The Centre has three Trust employees, all ex-members of the Brigade of Gurkhas. The MOD provides four employees.

The Gurkha Welfare Centre has four key tasks:

- To act as a focus for all retired Gurkhas in the UK who seek welfare support – and to provide a ready and immediate source of authoritative Government and/or Trust subject matter expert advice and counsel
- To ensure individuals arriving in UK under the new settlement arrangements are able to claim their statutory entitlements
- To complement and support the Service charities in the delivery of welfare support and, when necessary, to assist in the coordination of their work
- To provide the capacity to reach out nationally to Gurkha communities and to those agencies and organisations supporting Gurkhas in need

Trustees' Report for the Year ended 30 June 2011 (continued)

The Trust has agreed with the Service charities that they will remain responsible for meeting the cost of the delivery of any welfare support in UK. This enables the Trust to retain its focus on Nepal and the delivery of welfare to those ex-servicemen and their dependants who remain in conditions of very real poverty and distress.

Since the start of the settlement programme the Centre has provided advice and, working with the Service charities, coordinated welfare support to over 1,142 ex-Gurkhas and their dependants. Many seeking settlement arrive in UK completely disorientated, unable to speak English and with little or no funds. Many are in their late 60s/early 70s and will clearly never be able to work. The response of both Government and the Service charities, led by the Trust, has been remarkable, both to enable statutory entitlements and when and where appropriate, welfare support. However, the numbers now seeking settlement are substantial and there is little indication that the flow of ex-Gurkhas seeking to live in UK will reduce in the near future. The Trust and Government Departments will need to monitor developments closely and if necessary be prepared to adjust their response if the increasing need for welfare and other support is to be met.

The Trust is extremely grateful for the support of the Service charities and in recognition of their work in UK makes an annual welfare grant to the ABF – The Soldiers' Charity as the lead Army charity. In 2010/11 the grant was £65,000.

Public Benefit

The Trustees have given due regard to the Charity Commission's guidance on reporting of public benefit when planning the charity's activities, specifically Section 4 of the Charities Act 2006 and are satisfied that the Trust provides public benefit.

Trustees' Report for the Year ended 30 June 2011 (continued)

(5) Financial Review

Incoming Resources

During the period the Trust received an income from all sources of £11,917,000, an increase of 17% over the previous year. This total included grants of £1,134,000 from MOD and £930,000 from DfID.

Donations included £805,000 from the annual appeal to existing supporters, an increase of 7% on the previous year. 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 £340,000 in support of the Trust's rural water and sanitation programme. Other notable donations include £350,000 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". Legacy income totalled £2,848,000, reflecting an excellent return on the Trust's continuing legacy awareness campaign and relationship fundraising and the age of the Trust's supporters.

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 identified as being in genuine need has been refused aid.

Expenditure

Charitable expenditure totalled £9,492,000 which represented 88% of total expenditure. The majority of these funds were used to sustain the 9,012 welfare pensioners who remain entirely dependent on the Trust for support. Their plight remains an increasing concern to the Trust as many of them enter the final years of their lives. Trustees remain determined to maintain the value of the welfare pension against inflation in Nepal, to repeat the award of a Winter Allowance and to enhance where possible and appropriate the availability of medical support – but only as and when funds allow.

Expenditure on medical support aid has increased by 18%, reflecting not only the enhanced 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. Other expenditure was directed in support of grants to individuals and community aid. Further additional expenditure was incurred in support of GWS Staff and Infrastructure costs and maintaining the RWSP programme.

UK Fundraising Costs

UK fundraising costs decreased during the period, primarily as a consequence of the conclusion of the Debt of Honour appeal launched by Miss Lumley in late 2009, but also as a result of good husbandry of resources. Trustees consider an expenditure of £909,000 against a fundraising income of over £8,764,000 continues to represent very good value.

The Trust's volunteer Regional Branches, which involve many retired British officers of the Brigade of Gurkhas and Trust supporters, continue to deserve specific mention. In addition to raising £248,000 over the year, our Regional Branches also sustain an important level of awareness of the Trust and its objects amongst the general public. Trustees are most grateful for their selfless contribution to the Trust's fundraising activities.

Trustees' Report for the Year ended 30 June 2011 (continued)

Investment Policy

The Trust's 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. Against this policy the Trust's portfolio is managed to achieve a return better than that available on a cash account, with equities being the dominant asset class within the portfolio, whilst having regard to the Trust's income requirements. Benchmarks and objectives are subject to regular review by the Investment Committee which meets quarterly.

The investment policy has been tested during an uncertain and adverse investment climate. However, unrealised gains were achieved and losses on investments were minimised as a result of retaining substantial cash holdings. Income from investments in the year was £1,089,000 against a target figure of £1,000,000.

Risk Management

All activities are subject to regular risk review by the Board of Trustees. 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 Trust's Assets

The Trustees review these risks on an ongoing basis and satisfy themselves that adequate 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.

Trustees' Report for the Year ended 30 June 2011 (continued)

- **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 (NPR) Funds are converted to NPRs as and when required to support operational cash flows in Nepal
- The Trustees have determined that in view of the general trend for depreciation of the NPR against £Sterling they continue to authorise a contingency of the equivalent in NPR of £4,000,000 to be held in Nepal With the decline in the value of £Sterling against the NPR, the Trust has taken full advantage of this contingency

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

Reserves Policy

SORP 2005 defines Reserves as "the resources a charity has or can make available to spend for any or all of the charity's purposes once it has met its commitments and covered its other planned expenditure "

The Trust's Reserves policy must

- Enable the Trust's clear and long-term objective of supporting the welfare pensioners in their declining years by the payment of a welfare pension and the provision of medical support
- Make essential provision for a period of readjustment for those in receipt of welfare support if the Trust should ever be required to reduce or cease its activities, for whatever reason
- Enable the Trust to respond promptly and appropriately to new and unforeseen needs or challenges that might affect the way in which welfare support is delivered Trustees specifically note the Trust carries out its welfare activities in the political, social and economic uncertainties of Nepal In addition, to deliver welfare support, the Trust depends on a number of partners whose support is not guaranteed both MOD and DfID have recently announced caps on the levels of financial support, requiring the Trust to fund at short notice the resultant shortfalls
- Protect the Trust's current and forecast expenditure against volatility and uncertainty of the financial markets, specifically adverse changes to the rate of exchange between the £Sterling and the Nepalese Rupee (NPR)
- Protect the Trust from economic adversity Despite a strong supporter base there is no guarantee that recent levels of income will be matched in the future or that current investments/assets will maintain their value

Trustees consider the provision of a welfare pension as a long-term commitment As a consequence the Trust's accounts must make financial provision in accordance with SORP 2005 by means of a Constructive Obligation This is not a precise exercise the extent of the Constructive Obligation is sensitive to relatively small changes in benefit levels, inflation in Nepal, reliability of actuarial data, the rate of exchange and other factors that have a significant long term impact on future costs Given these factors, the extent of the Constructive Obligation will fluctuate significantly year by year For

Trustees' Report for the Year ended 30 June 2011 (continued)

2010/11 the Constructive Obligation as at 30 Jun 11 was £29,924,000 against a rate of exchange of NPR113/£1.

The Trust also requires reserves to mitigate the risks associated with the other activities in Nepal. These include, but are not limited to, safeguarding against reductions to voluntary and other income, and being able to adjust the scope and extent of welfare activities against changing circumstances and need

To meet these demands Trustees consider that the Trust ideally requires reserves equivalent to between 3 and 5 years of its operating costs and 12 months of total expenditure. This level of reserve will enable the Trust to adjust its infrastructure and its activities in the event of a substantial and serious downturn in income or of extreme political and economic upheaval in Nepal, and respond to new and emerging needs.

After taking the Constructive Obligation and tangible assets into account the Trust's net unrestricted funds amounted to £10,452,000 as at 30 Jun 11. This level of reserve represents approximately 12 months of total expenditure (£10,740,000) and is a significant change from the previous year when the level of Reserve Funds was less than ideal. Given the volatility of investment markets, the continued uncertainty over the rates of exchange, and the uncertain fundraising climate Trustees will continue to keep Trust finances under close review and, if necessary, introduce additional measures to reduce expenditure.

Designated Funds

The Trust holds designated funds totalling £83,000 as at 30 Jun 11. These funds are the residue of a donation from a major donor and are earmarked by Trustees specifically for the establishment of residential homes.

Trustees' Report for the Year ended 30 June 2011 (continued)

(6) Plans for the Future

Since publication of Strategy Review 2005 every welfare activity has been subject to rigorous examination by Trustees and adjustments made according to need and the Trust's ability to meet it. These adjustments have enabled the Trust to maintain and where possible enhance support to the welfare pensioners in their increasing old age with the intention of ensuring they are able to live their final years in modest comfort and dignity.

Much has changed since 2005 and it is timely that the Trust undertakes a further Strategy Review that draws from lessons learned over the past five years, takes into account the recommendation of the New Philanthropy Capital Review of Trust activities and the changed financial climate. Work on the Review is already well advanced, guided by the Trust's new Vision and Priorities. When complete by the end of 2011 it will chart the course of the Trust for the next five years. Early indications are that it will reinforce the need for caution over expenditure and that increasingly the Trust must focus on those welfare activities which are central to the Trust's purpose: the relief of poverty and distress amongst ex-members of the Brigade of Gurkhas and their dependants.

(7) Statement of Trustees' Responsibilities

The Trustees (who are also directors of The Gurkha Welfare Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently,
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time of the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as we are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware, and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Trustees' Report for the Year ended 30 June 2011 (continued)

(8) Auditors

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

By order of the Trustees

A handwritten signature in black ink, appearing to read 'D Richards', written over the text 'By order of the Trustees'.

Sir David Richards

Chairman

25th November 2011

Independent Auditor's Report to the Members of Gurkha Welfare Trust

We have audited the financial statements of The Gurkha Welfare Trust for the year ended 30 June 2011 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on Trustees Report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial, and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report to the Members of Gurkha Welfare Trust (continued)

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 30 June 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

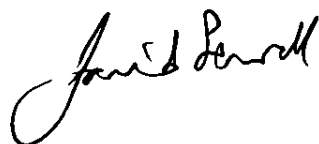
In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

for and on behalf of haysmacintyre, Statutory Auditor



David Sewell (Senior statutory auditor)

20 December 2011

*Fairfax House
15 Fulwood Place
London
WC1V 6AY*

The Gurkha Welfare Trust

Statement of financial activities for the year ended 30 June 2011

		Unrestricted	Restricted	2010/11	2009/10
		General	Designated	Total	Total
	Notes	£000	£000	£000	£000
Incoming resources					
<i>Incoming resources from generated funds</i>					
<i>Voluntary income</i>					
Donations	3a	2,255	0	2,948	5,203
Legacies	3b	2,848	0	0	2,848
Government grants	3c				
Ministry of Defence		0	0	1,134	1,134
Department for International Development		0	0	930	930
Investment income	3d	1,051	38	0	1,089
<i>Activities for generating funds</i>	3e	356	0	357	713
Total incoming resources		6,510	38	5,369	11,917
Resources expended	4				
<i>Cost of generating funds</i>	4e&5				
Fundraising costs	4e	903	0	6	909
Investment management costs	4e	91	0	0	91
<i>Direct charitable activities</i>					
Individual aid	4a	3,028	14	2,731	5,773
Medical aid	4b	1,490	0	307	1,797
Residential Homes	4c	0	0	151	151
Community aid	4d	130	117	1,524	1,771
<i>Governance costs</i>	4f&5	248	0	0	248
Total resources expended		5,890	131	4,719	10,740
Net incoming/(outgoing) resources before transfers		620	(93)	650	1,177
Transfers between funds	14	1,121	(1,121)	0	0
Net incoming/(outgoing) resources before other recognised gains and losses		1,741	(1,214)	650	1,177
<i>Net realised gain/(loss) on investment assets</i>	8	1,074	45	0	1,119
<i>Net unrealised gain/(loss) on investment assets</i>	8	2,937	123	0	3,060
<i>Movement in constructive obligation and gratuity commitment</i>	11&12	1,944	0	0	1,944
Net movement in funds		7,696	(1,046)	650	7,300
Funds brought forward		3,332	1,129	238	4,699
Total charity funds	13-15	11,028	83	888	11,999

NOTES

The statement of financial activities includes the income and expenditure account

There are no other gains and losses other than those shown above

All the Trust's activities are derived from continuing operations

The surplus for Companies Act purposes (before unrealised gains and losses) is £4,240,000

The notes on pages 24 to 34 form part of these accounts

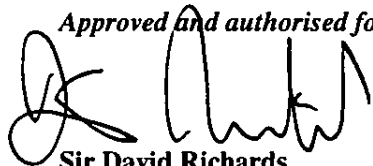
The Gurkha Welfare Trust

Balance sheet at 30 June 2011

Company registration number 5098581

	Notes	2011	2010
		£000	£000
Fixed assets:			
Tangible assets	7	659	691
Investments	8	38,023	31,066
		<u>38,682</u>	<u>31,757</u>
Current assets			
Debtors	9	392	339
Medication stock		226	205
Cash		3,567	5,105
		<u>4,185</u>	<u>5,649</u>
Current liabilities			
Creditors falling due within one year	10	(262)	(157)
Net current assets		<u>3,923</u>	<u>5,492</u>
Amounts falling due after more than one year			
Gratuity commitments	11	(682)	(630)
Provision for liabilities and charges			
Constructive obligation (Welfare pensions)	12	(29,924)	(31,920)
Net assets		<u>11,999</u>	<u>4,699</u>
Representing:			
Unrestricted funds			
General	13 & 14	40,952	35,252
Designated	13 & 14	83	1,129
		<u>41,035</u>	<u>36,381</u>
Unrestricted funds excluding provision for liabilities and charges		<u>41,035</u>	<u>36,381</u>
Welfare pension reserve	12	(29,924)	(31,920)
Total unrestricted funds		<u>11,111</u>	<u>4,461</u>
Restricted funds	13 & 15	888	238
Total charity funds	13	<u>11,999</u>	<u>4,699</u>

Approved and authorised for issue by the Board of Trustees' on 25th November 2011 and signed on their behalf



Sir David Richards
Chairman
25 November 2011

The notes on pages 24 to 34 form part of these accounts

The Gurkha Welfare Trust

Cash flow statement for the year ended 30 June 2011

	Notes	2010/11	2009/10
	below	£000	£000
Operating cash flow			
Net cash inflow/(outflow) from operating activities	(a)	152	(1,129)
Investing cash flow			
Investment income		1,089	1,005
Financing cash flow			
Purchase of tangible assets		(62)	(465)
Purchase of investments		(4,945)	(7,510)
Proceeds from sale of investments		13,284	9,343
Net cash flow before management of liquid resources		9,518	1,244
Cash deducted from short term deposits	(b)	(11,056)	(860)
(Decrease)/Increase in cash in the year		(1,538)	384
Net cash resources at 1 July 2010		5,105	4,721
Net cash resources at 30 June 2011	(b)	3,567	5,105
(excluding cash and short term deposits held as part of investment portfolio)			

Notes:

(a) Net cash inflow/(outflow) from operating activities

Net incoming/(outgoing) resources	1,177	(473)
Depreciation	94	37
(Increase)/Decrease in debtors	(53)	376
(Increase) in stocks	(21)	(59)
Increase in creditors & accruals	105	42
Investment income received	(1,089)	(1,005)
Investments donated by legacy	(61)	(47)
	152	(1,129)

(b) Analysis of net funds

	30 Jun 2011 £000	30 Jun 2010 £000	Cash flow in year £000
Cash	3,567	5,105	(1,538)
Cash and short term deposits held as part of investment portfolio	13,113	2,057	11,056
	16,680	7,162	9,518

The notes on pages 24 to 34 form part of these accounts

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011

1. Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investments at market value in accordance with applicable accounting standards, including the Charities (Accounts and Reports) Regulations 2008 and the requirements of the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in 2005 and the Companies Act 2006

The Gurkha Welfare Trust (GWT) has a dormant wholly owned subsidiary GWT Trading Ltd. Information concerning the subsidiary company is given in note 8. In accordance with the SORP the net assets of the branches are included in the accounts. The original charitable trust continues to exist only to receive legacies and some donations which are immediately transferred to the company.

2. Principal accounting policies

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

(a) *Income*

- i 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, certainty of receipt and the amount can be quantified with sufficient reliability. Government and other grants are credited to incoming resources in the period in which they are receivable.
- ii Legacies are treated as receivable only once there is sufficient evidence to provide certainty that the legacy will be received and the value of it can be measured reliably. Legacies which are not immediately payable are not treated as receivable until conditions associated with the payment have been fulfilled. Material legacies not included in the accounts due to uncertainty of timing and value are, when applicable, disclosed in a separate note in the accounts.

(b) *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.

Cost of generating funds comprises those costs directly attributable to fundraising and managing the investment portfolio. The costs of running the Trust's office and staff costs have been allocated in a fair and appropriate method to fundraising and governance, while the administration and infrastructure costs in Nepal have been allocated to the direct charitable activities on the basis of direct attribution, space occupied or time spent on each function.

Grants payable to individuals may be subject to conditions. Expenditure on such performance-related grants is recognised to the extent that the recipient has complied with the conditions.

(c) *Taxation*

Irrecoverable VAT is not separately analysed and is charged directly to the SOFA as part of the expenditure to which it relates.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

(d) *Operating leases*

Rental payments under operating leases are charged as expenditure as incurred over the term of the lease

(e) *Foreign currencies*

Fixed assets in foreign currencies are converted to sterling at the exchange rate ruling at the time of purchase. Investments, current 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 rate of exchange on the last day of the previous month. Exchange rate gains are reported as other income on the face of the SOFA. Exchange rate losses are recorded as support costs to the activities to which they relate.

(f) *Pensions and retirement benefits*

In the UK the Trust makes contributions to individual defined contribution pension plans held by the employees and has no employees in the Trust's stakeholder scheme.

In Nepal the Trust contributes to individual plans within a defined contribution Provident Fund managed by Standard Chartered Bank Nepal Limited. In addition, employees are entitled to a one off gratuity payment on leaving that is based on length of service. An external fund has been created for RWSP employees that is sufficient to meet the obligation. A provision is included in the accounts to cover the obligation to the remainder of the employees.

Contributions for both UK and Nepalese schemes are charged to the SOFA on the basis of amounts provided for the period.

(g) *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 unspent 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.

(h) *Investments*

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

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

(i) *Fixed assets*

The cost of minor additions or acquisitions of fixed assets under £5,000 is charged wholly to the Statement of Financial Activities (SOFA) in the year of purchase. Fixed assets above this amount are capitalised in the financial statements at cost. Donated fixed assets are brought into account at an estimate of their market value at the time of acquisition. This policy was applied to fixed assets held in Nepal in FY 2009-10 for the first time.

(j) *Depreciation*

Depreciation is provided on all assets except land to write off the costs of the asset less any material residual value, by equal instalments over their expected useful lives. Depreciation rates are

Completed buildings 10% per annum on a straight line basis

Vehicles and equipment 25% per annum on a straight line basis

For all depreciable assets, a full year's depreciation is charged in the year of acquisition or completion and no depreciation is charged in the year of disposal.

(k) *Medication stocks*

The medication stock is valued on the lower of cost and net realisable value on a first in first out basis.

3. Incoming resources

Incoming resources includes income transferred from the charitable trust "Gurkha Welfare Trust", former charity registration number 1034080. This Trust is retained while it receives standing order donations and legacy income.

	2010/11	2009/10
	£000	£000
a. Donations		
Donations from individuals	4,118	3,871
Donations from companies, trusts, clubs and organisations	1,085	709
	5,203	4,580
b. Legacies	2,848	1,901
c. Grant income		
Ministry of Defence - to support operating costs in Nepal	1,134	991
DfID - for water and sanitation projects in remote locations	930	700
- for a separate discretionary fund	0	11
d. Investment income	1,089	1,005
e. Activities for generating funds		
Fundraising events	713	993

Donations from individuals include contributions under the 'One Day Pay Scheme' of £350,000 (2009/10 £341,000) made by all ranks of the Brigade of Gurkhas (including Nepali contract civilians) and the Gurkha Contingent of the Singapore Police, who also qualify for support from the Trust.

Income from investments includes interest, dividends and transitional tax credits. Fundraising events include income generated by branches and supporters throughout the country as well as sponsorship income from Trailwalker.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

4. Expenditure	Direct costs	Other direct costs	Support costs	2010/11 Totals	2009/10 Totals
	£000	£000	£000	£000	£000
a. Individual aid					
Welfare pensions	4,051	880	201	5,132	4,961
Disability support	76	17	4	97	85
Winter allowance	100	14	1	115	164
Welfare grants	21	118	19	158	253
Education grants	36	42	5	83	207
UK welfare	188	0	0	188	160
Total individual aid	4,472	1,071	230	5,773	5,830
b. Medical aid	1,392	362	43	1,797	1,515
c. Residential homes	133	14	4	151	85
d. Community aid					
Schools projects	168	90	12	270	516
Water projects	1,501	0	0	1,501	1,386
Total community aid	1,669	90	12	1,771	1,902
Charitable activities total	7,666	1,537	289	9,492	9,332
e. Cost of generating funds					
Fundraising	573	0	336	909	989
Investments	91	0	0	91	85
Total cost of generating funds	664	0	336	1,000	1,074
f. Governance	52	0	196	248	248
Total	8,382	1,537	821	10,740	10,654

Direct costs include actual grants made and costs of people directly employed in providing that charitable activity. Other direct costs are apportioned staff costs and overheads of the area welfare centres established for the delivery of more than one charitable activity. Support costs include staff and administrative overheads and 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 or space occupied.

Grants paid to other organisations are included under Individual aid – UK Welfare. This includes a grant of £65,000 paid to the Army Benevolent Fund for the support of former Gurkhas who have retired in the UK.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

The total charitable activity cost of £9,492,000 represents 88% of total expenditure. The cost of generating funds and governance of £1,248,000 is more than covered by investment income of £1,089,000 and the grant from MOD so all income from donations and fundraising events is spent directly on the charitable activities.

5. Costs of generating funds and governance

Costs have been apportioned either by direct attribution, space occupied or time spent. Governance costs comprise audit and legal fees and the costs associated with constitutional and statutory requirements. Appeals and advertising includes temporary staff and IT costs required for appeals.

	Costs of Generating Funds		Governance	2010/11	2009/10
	Fundraising	Investment Management		Total	Total
	£000	£000	£000	£000	£000
<i>Staff costs</i>	210	0	113	323	303
<i>Training & other costs</i>	18	0	37	55	28
<i>Premises costs</i>	46	0	20	66	64
<i>Office services</i>	60	0	26	86	69
<i>Legal & professional</i>	2	91	52	145	170
<i>Appeals & advertising</i>	573	0	0	573	688
	<u>909</u>	<u>91</u>	<u>248</u>	<u>1,248</u>	<u>1,322</u>

6. Staff, trustee and governance costs

a. Staff numbers

The Trust employs the following full time equivalent staff		2010/11	2009/10
UK	Administration and fundraising	9	8
	Welfare	3	3
Nepal	Individual aid and general staff	172	182
	Water projects	97	98
	Schools projects	4	6

b. Staff costs

		2010/11	2009/10
		£000	£000
UK	Salaries	298	293
	Social security costs	29	31
	Pension	23	24
		<u>350</u>	<u>348</u>
Nepal	Salaries & benefits incl retirement gratuity	2,577	2,499
		<u>2,927</u>	<u>2,847</u>

No employee of the Trust had a salary in excess of £60,000. Temporary staff are employed by the Trust to assist during appeals.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

c. Pensions and retirement benefits in Nepal

The retirement benefits in Nepal consist of a defined contribution Provident Fund and a Gratuity on leaving which is based on length of service. For the RWSP division a fund has been accumulated to meet the gratuity obligation to 97 staff. By 30 June 2011 this fund had been increased to £417,000 (30 June 2010 £353,000) to be sufficient to meet the obligation. An accrual has been included in the accounts for the gratuity obligation to the remainder of the staff, see note 12.

d. Trustees' expenses and remuneration

In 2010/11 no Trustee received any remuneration but six Trustees were either reimbursed or expenses were paid on their behalf of £13,566 in respect of attendance at meetings at the GWT Salisbury office, in London, Scotland and Nepal, (2009/10 four Trustees were either reimbursed or expenses were paid on their behalf of £9,108).

e. Net expenditure

Net expenditure for the period is stated after charging			2010/11	2009/10
			£000	£000
Audit fees,	UK excluding VAT	haysmacintyre	18	17
	Nepal	haysmacintyre	5	0
	Nepal	CSC & Co	8	9
Actuarial fees			2	4
Trustee indemnity insurance			2	2
Operating lease payments (rent & service)			50	46

f. Charity Lease commitments

At 30 June 2011 the charity had annual commitments under non-negotiable operating leases as follows

			2010/11	2009/10
			£000	£000
Expiring	Property			
	Within 2 to 5 years	Nepal	7	9
	Within 5 to 10 years	UK	70	70

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

7. Tangible Fixed Assets

	Vehicles & Equipment £000	Land & Buildings £000	2010/11 Total £000
Cost			
At 1 July 2010	148	620	768
Additions	<u>62</u>	<u>0</u>	<u>62</u>
At 30 June 2011	<u>210</u>	<u>620</u>	<u>830</u>
Depreciation			
At 1 July 2010	(77)	0	(77)
Change for year	<u>(44)</u>	<u>(50)</u>	<u>(94)</u>
At 30 June 2011	<u>(121)</u>	<u>(50)</u>	<u>(171)</u>
Net Book Value			
At 1 July 2010	<u>71</u>	<u>620</u>	<u>691</u>
At 30 June 2011	<u>89</u>	<u>570</u>	<u>659</u>

8. Investments

The historical cost of investments at 30 June 2011 (including investment cash) was £26,010,000 (30 June 2010 £27,792,000) 65% of the investment assets are placed in a mixed portfolio and 8% in Odey OEI MAC Inc £B Class No other single investment represents more than 2.5% of the total value of investment assets

Major movements in investments during the year were	2010/11 £000	2009/10 £000
Opening market value (excl Cash)	29,009	27,784
Purchases	4,945	7,510
Disposal proceeds	(13,284)	(9,343)
Realised gains/(losses)	1,119	274
Unrealised gains/(losses)	3,060	2,737
Investments donated	61	47
Closing market value (excl Cash)	<u>24,910</u>	<u>29,009</u>

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

Listed investments	2010/11	2009/10
<i>Fixed interest</i>	£000	£000
UK	2,335	4,281
Overseas	<u>581</u>	<u>881</u>
	2,916	5,162
<i>Equities</i>		
UK	7,815	6,878
Japan	0	317
Europe	255	1,443
North America	458	1,876
Latin America	664	902
Pacific Basin	1,310	2,794
Other Overseas/Non Specific Region	<u>11,131</u>	<u>8,782</u>
	21,633	22,992
<i>Property unit trusts</i>	361	855
	<u>24,910</u>	<u>29,009</u>
Cash held as part of investment portfolio	<u>13,113</u>	<u>2,057</u>
	<u>38,023</u>	<u>31,066</u>

Investment in subsidiary

GWT owns 100% of the issued share capital of GWT Trading Ltd, being 2 ordinary shares with a nominal value of £1. GWT Trading Ltd is dormant and as a result, the trading subsidiary had £nil turnover for the year (2009/10 £ Nil) and therefore no available profit (2009/10 £ Nil) was donated to the GWT. Net assets at 30 June 2011 were £2 (2010 £2).

9. Debtors	2010/11	2009/10
	£000	£000
Accrued investment income	168	167
Prepayments	63	83
Other debtors	<u>161</u>	<u>89</u>
	<u>392</u>	<u>339</u>

10. Creditors	2010/11	2009/10
	£000	£000
Creditors and accruals	<u>262</u>	<u>157</u>

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

11. Gratuity commitments

Retiring staff in Nepal have an entitlement to a gratuity. An independent gratuity fund has been created for employees involved in the RWSP. Gratuity entitlements for other staff are disclosed as a liability and are charged as earned to the statement of financial activities. The liability is estimated at £682,000. This is an increase of £52,000 on the figure for 2009/10 of £630,000.

12. Constructive obligation

The Trust has a long-term constructive obligation, as defined by SORP 2005, in respect of its welfare pensions. 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 future payments has been obtained using the following key assumptions. The level of benefit, NPRs 50,400 per annum (4,200 per month) in 2009-10, for welfare pensions will increase with inflation at 4%.

An estimated number of 9,143 welfare pensioners (2009/10 9,749) with an average age of 76 has been used. The actual audited number at 30 June 2011 was 9,012. There are other ex-Gurkhas but if they have not claimed they are not included.

The future payments have been discounted at 8% pa (2009/10 8%), a rate recommended by the actuary and which represents an average yield on high-quality bonds in Nepal. It is estimated that there may be as many as 1,700 ex-Gurkhas who left the service in the late 1960's and early 1970's and 800 ex Indian Army who served before 1947 who are not in receipt of a service pension. No account has been taken of these potential new beneficiaries in this calculation.

The value of the obligation is particularly sensitive to the exchange rate of NPRs to GB£. Based on the exchange rate of NPRs 113.00 / £1, (2009/10 NPRs 111.00 / £1) that applied on 30 June 2011 the value of the obligation was **£29,924,000**. This is a decrease of £1,996,000 on the figure for 2009/10 of £31,920,000.

13. Analysis of net assets between funds

	General funds £000	Designated funds £000	Restricted funds £000	Total £000
<i>Tangible assets</i>	659	0	0	659
<i>Investments</i>	38,023	0	0	38,023
<i>Current assets</i>	3,214	83	888	4,185
<i>Current liabilities</i>	(262)	0	0	(262)
<i>Gratuity commitments</i>	(682)	0	0	(682)
<i>Constructive obligations</i>	(29,924)	0	0	(29,924)
	<u>11,028</u>	<u>83</u>	<u>888</u>	<u>11,999</u>

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

14. 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

	Balance at 1 July 2010 £000	Incoming resources in the year £000	Outgoing resources in the year £000	Gains and Transfers £000	Movement in obligation £000	Balance at 30 June 2011 £000
<i>Designated for education grants</i>						
Sir Omar Ali fund	178	7	(9)	(176)	0	0
Walker fund	59	2	(3)	(58)	0	0
Ochterlony fund	33	1	(2)	(32)	0	0
	<u>270</u>	<u>10</u>	<u>(14)</u>	<u>(266)</u>	<u>0</u>	<u>0</u>
<i>Designated for building schools</i>						
Trailwalker fund	776	28	(117)	(687)	0	0
<i>Designated for residential homes</i>						
	<u>83</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>83</u>
Total designated funds	1,129	38	(131)	(953)	0	83
General funds	3,332	6,510	(5,890)	5,132	1,944	11,028
Total unrestricted funds	<u>4,461</u>	<u>6,548</u>	<u>(6,021)</u>	<u>4,179</u>	<u>1,944</u>	<u>11,111</u>

The Sir Omar Ali Fund and the Walker Scholarship Fund were originally established to fund education in Nepal and the Trustees have ensured that expenditure on education has continued although there was no legal obligation to do so. 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 this has been used to fund education grants for children of needy Gurkha ex-servicemen in Nepal. In previous years only the interest from these funds has been applied to providing education grants with the majority of the cost being met from unrestricted funds. With the declining need for education grants the Trustees have decided to reimburse the unrestricted funds with the remaining balances of these funds.

In 1997 the Trailwalker Charitable Trust transferred £1,023,000 to the GWT which was subsequently designated for school building and maintenance in Nepal. As the expenditure on schools is declining and the Trust has already used significantly more unrestricted funds than the remaining balance of the designated funds, Trustees have decided to reimburse the unrestricted funds with the remaining balances of these funds.

In January 2008, the Michael Uren Foundation, in addition to a restricted donation of £350,000 for the building of a residential home, donated a further £150,000 on an unrestricted basis of which £83,000 has been carried forward. It is the Trustees' intention to honour the donor's desire to support the residential homes by designating this additional donation for other costs of the project.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2011 (continued)

15. Restricted funds of the charity

	Balance at 1 July 2010 £000	Incoming resources in the year £000	Outgoing resources in the year £000	Balance at 30 June 2011 £000
Grants to individuals:				
Welfare pensions	0	1,692	1,692	0
Winter allowance	6	101	100	7
Education	0	22	22	0
General individual aid	0	76	76	0
	<u>6</u>	<u>1,891</u>	<u>1,890</u>	<u>7</u>
Medical	0	3	3	0
	<u>6</u>	<u>1,894</u>	<u>1,893</u>	<u>7</u>
Residential homes:				
Kaski Running Costs	0	336	150	186
Dharan Build	0	510	0	510
RH general	0	62	0	62
	<u>0</u>	<u>908</u>	<u>150</u>	<u>758</u>
Water projects:				
Water projects - DfID	137	930	1,067	0
Water projects - other	0	344	344	0
	<u>137</u>	<u>1,274</u>	<u>1,411</u>	<u>0</u>
Schools projects:				
Tiplyang School	0	50	48	2
Neal Turkington Fund	0	56	0	56
	<u>0</u>	<u>106</u>	<u>48</u>	<u>58</u>
MOD	0	1,134	1,134	0
KAAA	0	47	47	0
Dir GWS Discretionary Fund	95	0	30	65
Samachara	0	6	6	0
	<u>238</u>	<u>5,369</u>	<u>4,719</u>	<u>888</u>

The Water projects (DfID) fund is money received from DfID for the rural water and sanitation programme while the Director GWS Discretionary fund is money provided by DfID to be used for infrastructure requirements at the discretion of the Director GWS

The MOD grant in aid is provided to support the administration and infrastructure costs of the GWS

Further information on all the restricted funds can be found in the Trustees' annual report