

The Gurkha Welfare Trust
Annual Report and Accounts

Year ended 30 June 2012

Company Limited by Guarantee Number
05098581

Registered Charity Number
1103669

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The Gurkha Welfare Trust

Annual report and accounts for the year ended 30 June 2012

	Page(s)
Trustees, officials and advisors to the Trust	3-4
Trustees' report	5-17
Auditors' report to the Trustees	18-19
Statement of financial activities	20
Balance sheet	21
Cash flow statement	22
Notes to the accounts	23-33

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) (until 31st March 2012)
General Sir Peter Wall KCB CBE ADC Gen (Chairman) (wef 1st April 2012)
Brigadier J A Anderson
Lieutenant General Sir David Bill KCB
J J Brade Esq MBE
Mrs D Donovan
F Dufficy Esq
Brigadier A Fay
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 (until 30th September 2011)
Brigadier N Moffatt CBE (wef 25th November 2011)
G P McNaught Esq CA
Brigadier N A W Pope CBE
Brigadier G Ratcliffe
Colonel I A Rigden OBE (wef 1st October 2011)**

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
Col D G Hayes CBE (until 30th September 2011)
Colonel I A Rigden OBE (wef 1st October 2011)**

The Gurkha Welfare Trust

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 J Fenn QOGLR

Investment Managers

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Company Limited by Guarantee Number

05098581

Registered Charity Number

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The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012

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). 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 (GWC) at Salisbury provides 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.

The Trust has a wholly owned trading subsidiary, GWT Trading Limited, whose accounts are consolidated in the group financial statements.

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 two subordinate committees that consider investment and audit matters.

The Trust's governance arrangements are kept under constant review to ensure that the Trust is able to adapt with confidence to emerging legislation and meet the changing needs of the welfare community in Nepal and UK. In 2011 Trustees carried out a further skills audit and agreed

- There was no requirement for any further Co-Opted Trustees but this will be kept under review.
- To recruit one further Nominated Trustee, the Regimental Colonel of the Gurkha Adjutant General's Corps, a new Brigade unit formed in May 2011. The procedures for the recruitment, selection and appointment of Trustees and their subsequent induction and training remained unchanged.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

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 and their subordinate committees.

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.

Implementing Partners

In Nepal the Trust works closely with the Kadoorie Agricultural Aid Association which concentrates on community aid and development, including bridge construction, the provision of potable water supplies and renewable energy projects.

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 in support of the staff and administrative costs of the GWS and its AWCs.

In UK the Trust works closely with 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 remain unchanged:

- 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.

Trustees have directed that these Objects are reviewed during FY 2013/14 to ensure their currency and completeness.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

(3) Trust Strategy

In 2011 the Trust carried out a Strategy Review that had as its backcloth

- The Trust's Vision Gurkhas living out their lives with dignity
- The Trust's Priorities
 - The provision of a welfare pension
 - The provision of welfare/emergency grants
 - The development of a number of residential homes
 - The provision of medical support
 - The provision of water and sanitation in support of Gurkha communities
 - The provision of education facilities in support of Gurkha communities and education grants to the children of ex-Gurkhas
- The New Philanthropy Capital Review of the Trust carried out in 2010 which reinforced the Trust's core function and effectiveness to deliver high quality services to remote regions across Nepal, delivering pensions and community aid to ex-servicemen, their widows and the wider community
- An increasingly uncertain financial environment, a decline in income and the number of active supporters, and an uncertain rate of exchange between Sterling and the Nepalese Rupee
- In accordance with SORP 2005, the Constructive Obligation that requires the Trust to make long term financial provision for the payment of a welfare pension

The Review considered every aspect of the Trust's activities making adjustments of emphasis and content as necessary. There was however one single key Recommendation which will underpin Trust activities for the next five years

"Immediate and non-reversible decisions to draw down expenditure were not necessary at this stage. However, given uncertainty over future income streams Trustees were to identify appropriate control mechanisms in all areas of activity in order to ensure projected expenditure remained manageable."

(4) 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 17 of the Charities Act 2011 and are satisfied that the Trust is fully compliant

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

(5) Achievements and Performance

Nepal: Individual Aid – Welfare Pensions

The Strategy Review 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 the reporting period there were 9,012 individuals in receipt of a welfare pension from the Trust. During the past 12 months GWS staff have awarded 51 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 and frailty, now find themselves in poverty and distress. GWS staff have also reported the deaths of 1,112 welfare pensioners. By the end of June 2012 the number of welfare pensioners had declined to 8,148, of whom 57% were widows. The Trust expects this decline to continue.

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, for FY 2011/12 Trustees agreed an increase to the rate of welfare pension from NPR 4,200 to NPR 4,500 per month (NPR 54,000 pa). This was less than ideal, especially when set against Nepal's rate of inflation. However, it reflected Trustees' concern over the decline in value of Sterling and the increasingly challenging fundraising climate. Although these concerns remain the Trust is acutely conscious of the increasingly frailty of our old soldiers, especially those who served in the Second World War. As a consequence Trustees have agreed an uplift of 11% from NPR 4,500 to NPR 5,000 (NPR 60,000 pa) for FY 2012/13.

Trustees will 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. This was thoroughly tested during the year when the Trust was required to respond to an earthquake in East Nepal which caused significant damage to houses and infrastructure.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

During the year 392 welfare grants were awarded at a cost of £74,000. 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.

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 £82,000 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 and allowances 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 and it now houses 26 residents, 10 of whom are widows. Their average age is 87 years.

A second residential home is currently under construction in Dharan in East Nepal. It will also provide a haven for up to 26 ex-Gurkhas or their widows who currently live in extreme conditions of poverty and distress. The capital cost of this Residential Home has been met by a single donor.

Trustees intend that annual running costs of both Residential Homes are met by the use of Designated Funds and have accordingly made provision for this in the Accounts. Further homes will be constructed only when expenditure is without detriment to the Trust's other welfare activities.

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. 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. Secondary care is provided by a number of selected hospitals within Nepal. In addition the Trust has 3 mobile doctors to enable the deployment of appropriate medical support to the point of need.

The resources committed to the Scheme continue to rise as the benefits become more widely appreciated and the cost and diversity of medical facilities available within Nepal continue to expand and improve. In 2011/12 the Trust's Medical Scheme provided 126,409 primary medical care appointments at the Trust's AWCs, a 2% increase over the previous year. Secondary medical care was provided in support of 10,752 individuals, a slight increase over the previous year. The Trust, in conjunction with KAAA, also supported eight Eye/Gynaecological/ Dental Camps that treated a total of 12,223 individuals.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

Trustees are increasingly concerned at the overall costs of the Scheme which have increased by 126% in the past five years. The average annual rise is 18%. The Strategy Review identified the need to ensure future costs were properly controlled. As a consequence Trustees have agreed

- To constrain future growth in expenditure within a 7.5% pa ,
- to carry out a medical audit to identify future medical needs

Nepal: Individual Aid – Student Grant Scheme

The Trust has traditionally provided 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 2011/12 no new grants were awarded and only 153 students received grants in support of education at a cost to the Trust of £12,000. 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 124 new schools have been constructed using Trust resources.

Increasing numbers of ex-members of the Brigade were settling in the towns rather than returning to their traditional hill villages. As a consequence the Trust's School Build Programme was re-focused on the enhancement of existing education facilities in urban areas and the maintenance of existing schools, rather than the construction of new schools. In 2011/12 only one school was constructed using restricted funds at a cost of £55,000. A total of £131,000 was spent on the maintenance, refurbishment and improvement of existing schools.

For the future Trustees have agreed to limit expenditure on the Schools Programme at £125,000 per annum with the intention of optimising the refurbishment and extension programme within this level of resource, rather than construct new schools. New schools will only be constructed as and when specific funds are provided by Trust supporters.

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

In partnership with DfID, the Trust runs a substantial programme of regional water and sanitation projects at a cost in 2011/12 of £1.425m. A total of 58 projects were completed during the period, ranging from the drilling for water to the installation of tap stands and latrines in village communities. Ten 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.

The DfID contribution to the programme for FY 2011/12 was £880,000. With effect from FY 2012/13 DfID has agreed to increase the level of funding to £1.250m pa at least to 31st March 2015. This will enable the Trust to sustain activity levels in support of 64 rural water and sanitation projects per annum whilst reducing the level of financial contribution from its own resources.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

Nepal: Infrastructure and Staff

The Trust maintains an Headquarters in Pokhara in West Nepal that manages the activities of the Trust's network of AWCs sited in key locations throughout the Brigade's recruiting heartlands. The AWCs provide a platform for the delivery of welfare, including the payment of welfare pensions and the provision of primary medical support. They also provide a visible reassurance to the Gurkha communities that the Trust is there to support them and they enable the Trust's Area Welfare Officers and their supporting 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. In the midst of Nepal's political and economic turmoil their work is increasingly carried out under demanding and sometimes dangerous conditions.

The cost of delivering welfare support in Nepal during the year was £2.270m. The staff and the administrative costs of the GWS continue to be met in large 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 2011/12 a grant of £1.172m was paid by the MOD to the Trust.

However, whilst Trustees place great emphasis on the recruitment and retention of high quality staff to work in support of the GWS, there is increasing concern at the rising costs of delivering welfare. As a result Trustees have directed two further reviews:

- A review of the terms and conditions of service under which GWS Staff serve to ensure the Trust is able to recruit and retain the key staff needed for the future; that they are employed under fair terms and conditions of service; that the employment arrangements and working practices represent good value for money; and that they conform in every respect to Nepalese legislation. The review has recommended a number of adjustments to staff terms and conditions which were introduced on 1st July 2012. Savings will only be made in the long term.
- A review to rationalise the Trust's infrastructure in Nepal that was established in the early 1970s, that takes into account improvements to Nepal's national infrastructure and which will meet the needs of the Trust until 2021. This review has yet to report.

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 (GWC) in Salisbury with a forward office in Aldershot. The Centre has five Trust employees, all ex-members of the Brigade of Gurkhas. The MOD provides four employees.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

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

Since the start of the settlement programme the Centre has provided advice to an increasing number of ex-Gurkhas and their dependants, working with the Service charities. 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. In response to an increasing demand for support the Trust recruited two further Gurkha Welfare Advisers.

The response of Government and the Service charities, led by the Trust, enables the provision of statutory entitlements and when and where appropriate, welfare support. The Trust, Government Departments and the Service Charities monitor developments closely and are, if necessary, prepared to adjust their response if the demand for welfare and other support increases further.

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 provision of welfare support to those ex-servicemen and their dependants who remain in conditions of very real poverty and distress. The Trust is extremely grateful for the work of the existing 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 2011/12 the grant was £100,000. The amount of future grants will be kept under review.

(6) Financial Review

Incoming Resources

During the period the Trust received an income from all sources of £11.519m, a decrease of 3% over the previous year. This total included grants of £1.172m from MOD and £880,000 from DfID.

Significantly, donations from individuals, companies, trusts and other organisations totalled £4.221m (£5.203m in FY 2010/11). This represents a reduction of 19% over the previous year and mirrors the national economic climate and, in part at least, the increased competition amongst Service charities for funds from the General Public. 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 £549,000 in support of the Trust's community aid programmes.

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 £3.380m, a 19% increase on the previous year, reflecting an excellent return on the Trust's continuing legacy awareness campaign and relationship fundraising – but also sadly the age of the Trust's supporters.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

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 £9.481m which represented 88% of total expenditure. The majority of these funds were used to sustain the 8,148 welfare pensioners who remain entirely dependent on the Trust for support. Increasingly aged their plight remains a major 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 and other support – but only as and when funds allow.

Expenditure on medical support aid has increased by 5%, 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 increased slightly during the period, as a consequence not only increased costs but also increased levels of fundraising activity in the competition to secure funds from supporters. Trustees consider an expenditure of £975,000 against a fundraising income of over £8.557m 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 £260,000 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.

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. 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.

As part of a regular review of the Trust's investment arrangements, the Trust's investment portfolio was transferred from Newton Asset Management to Sarasin & Partners. The Trust's investment arrangements and their associated benchmarks and objectives remain subject to regular review by the Investment Committee which meets quarterly. Income from investments in the year was £910,000 against a target figure of £1m.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

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
- **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 despite the general trend for depreciation of the NPR against £Sterling they continue to authorise a contingency of the equivalent in NPR of £4m to be held in Nepal. With the fluctuating value of £Sterling against the NPR, the Trust has taken full advantage of this contingency and has managed to transfer all funds at better than the budgeted rate of NPR 110/£1
- **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.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

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 " SORP 2005 further states the legal basis for holding Reserves those assets in the unrestricted fund of a charity which Trustees have, or can make, available to apply for all or any of its purposes, once they have provided for the liabilities on the unrestricted fund, together with any commitments of the charity and other planned expenditure intended to be met from the assets of the unrestricted fund

Based on the risk assessment the Trust's Reserves must therefore:

- 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

In accordance with SORP 2005 the Trust's accounts must make long term financial provision for the payment of a welfare pension 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 2011/12 the Constructive Obligation as at 30 June 12 was £22 818m against a rate of exchange of NPR139 68/£1 This represents a reduction of £7 106m over the previous year when the rate of exchange was NPR 113/£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

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

To meet these demands Trustees consider that the Trust ideally requires reserves equivalent to between 3 and 5 years of its operating costs or 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 into account the Trust's reserves amount to £11.125m as at 30 June 12. This level of reserve represents just over 12 months of total expenditure (£10.769m) 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 adverse 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 £6.083m as at 30 June 12. These funds are earmarked by Trustees for expenditure in support of the Trust's individual and community aid programmes, specifically the running costs associated with the Residential Homes Project.

(7) Plans for the Future

The publication of the Trust's Strategy Review 2011 subjected every welfare activity to rigorous examination. The Review has made a number of Recommendations to enable 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. These recommendations have been accepted in full by the Trustees.

This Review will therefore chart the course of the Trust for the next five years. It has underscored the need for caution over expenditure and emphasised the need for the Trust to focus on its core activities, reducing where appropriate expenditure on those areas which are not fundamental in addressing the Trust's purpose – the relief of poverty and distress amongst ex-members of the Brigade of Gurkhas and their dependants.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30 June 2012 (continued)

(8) 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 which give a true and fair view of the state of affairs of the charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group 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 group 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 group 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

(9) 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



Sir Peter Wall
Chairman

30

November 2012

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

We have audited the financial statements of The Gurkha Welfare Trust for the year ended 30 June 2012 which comprise the Consolidated Statement of Financial Activities, the Consolidated 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 The 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 group and 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

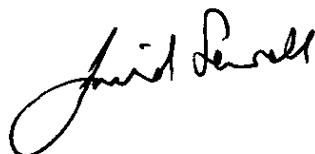
In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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)
12/12/2012*

*Fairfax House
15 Fulwood Place
London
WC1V 6AY*

The Gurkha Welfare Trust

Consolidated Statement of financial activities for year ended 30 June 2012

		Unrestricted		Restricted	2011/12	2010/11
		General	Designated		Total	Total
	Notes	£000	£000	£000	£000	£000
Incoming resources						
<i>Incoming resources from generated funds</i>						
<i>Voluntary income</i>						
Donations	3a	1,802	0	2,419	4,221	5,203
Legacies	3b	3,330	0	51	3,381	2,848
Government grants	3c					
Ministry of Defence		0	0	1,172	1,172	1,134
Department for International Development		0	0	880	880	930
Investment income	3d					
Investments		910	0	0	910	1,089
<i>Activities for generating funds</i>						
Fundraising events	3e	367	0	565	932	713
Income from GWT Trading		23	0	0	23	0
Total incoming resources		6,432	0	5,087	11,519	11,917
Resources expended	4					
<i>Cost of generating funds</i>	4e&5					
Fundraising costs	4e	959	0	16	975	909
Investment management costs	4e	18	0	0	18	91
<i>Direct charitable activities</i>						
Individual aid	4a	2,512	0	3,171	5,683	5,773
Medical aid	4b	1,578	0	310	1,888	1,797
Residential Homes	4c	0	0	171	171	151
Community aid	4d	185	0	1,554	1,739	1,771
<i>Governance costs</i>	4f&5	255	0	40	295	248
Total resources expended		5,507	0	5,262	10,769	10,739
Net incoming/(outgoing) resources before transfers		925	0	(175)	750	1,177
Transfers between funds	15	(5,739)	6,000	(261)	0	0
Net incoming/(outgoing) resources before other recognised gains and losses		(4,814)	6,000	(436)	750	1,177
<i>Net realised gain/(loss) on investment assets</i>	8	1,681	0	0	1,681	1,119
<i>Net unrealised gain/(loss) on investment assets</i>	8	(3,006)	0	0	(3,006)	3,060
<i>Movement in constructive obligation and gratuity commitment</i>	11&12	7,106	0	0	7,106	1,944
Net movement in funds		967	6,000	(436)	6,531	7,300
Funds brought forward		11,028	83	888	11,999	4,699
Total charity funds	13-15	11,995	6,083	452	18,530	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 £9,537,000

The notes on pages 23 to 33 form part of these accounts

The Gurkha Welfare Trust

Company registration number 05098581

Consolidated and Charity Balance sheet at 30 Jun 2012

	Notes	Group		Charity	
		2012	2011	2012	2011
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	7	866	659	866	659
Investments	8	37,579	38,023	37,579	38,023
		38,445	38,682	38,445	38,682
Current assets					
Debtors	9	238	392	237	392
Medication & project stock		143	226	143	226
Cash		2,707	3,567	2,707	3,567
		3,088	4,185	3,087	4,185
Current liabilities					
Creditors falling due within one year	10	(185)	(262)	(185)	(262)
Net current assets		2,903	3,923	2,902	3,923
Amounts falling due after more than one year					
Gratuity commitments	11	0	(682)	0	(682)
Provision for liabilities and charges					
Constructive obligation (Welfare pensions)	12	(22,818)	(29,924)	(22,818)	(29,924)
Net assets		18,530	11,999	18,529	11,999
The funds of the charity:					
Restricted funds	13 & 15	452	888	452	888
Unrestricted funds					
General	13 & 14	34,813	39,831	34,812	39,831
Welfare pension reserve	12	(22,818)	(29,924)	(22,818)	(29,924)
Net General funds		11,995	9,907	11,994	9,907
Designated	13 & 14	6,083	1,204	6,083	1,204
Unrestricted funds after provision for liabilities and charges		18,078	11,111	18,077	11,111
Total charity funds	13	18,530	11,999	18,529	11,999

NOTE Group includes GWT Trading Limited, the wholly owned trading subsidiary

Approved and authorised for issue by the Board of Trustees' on 30th November 2012 and signed on their behalf


 Sir Peter Wall
 Chairman

30 November 2012

The notes on pages 23 to 33 form part of these accounts

The Gurkha Welfare Trust

Consolidated cash flow statement for the year ended 30 June 2012

	Notes	2011/12	2010/11
	below	£000	£000
Operating cash flow			
Net cash (outflow)/inflow from operating activities	(a)	(579)	152
Investing cash flow			
Investment income		910	1,089
Financing cash flow			
Purchase of tangible assets		(312)	(62)
Purchase of investments		(30,609)	(4,945)
Proceeds from sale of investments		22,094	13,284
Net cash flow before management of liquid resources		(8,496)	9,518
Cash deducted / (added) from short term deposits	(b)	7,636	(11,056)
Increase in cash in the year		(860)	(1,538)
Net cash resources at 1 July 2011		3,567	5,105
Net cash resources at 30 June 2012	(b)	2,707	3,567
(excluding cash and short term deposits held as part of investment portfolio)			

Notes:

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

Net (outgoing) / incoming resources	750	1,177
Depreciation	105	94
Decrease / (increase) in debtors	154	(53)
Decrease / (Increase) in stocks	83	(21)
(Decrease) / increase in creditors & accruals	(759)	105
Investment income received	(910)	(1,089)
Investments donated by legacy	(2)	(61)
	(579)	152

(b) Analysis of net funds

	30 Jun 2012 £000	30 Jun 2011 £000	Cash flow in year £000
Cash	2,707	3,567	(860)
Cash and short term deposits held as part of investment portfolio	5,477	13,113	(7,636)
	8,184	16,680	(8,496)

The notes on pages 23 to 33 form part of these accounts

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012

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.

These consolidated financial statements include the financial statements of The Gurkha Welfare Trust ("the charitable company") and GWT Trading Limited, its wholly owned trading subsidiary, made up to 30 June 2012. These financial statements consolidate the results of the charity and its wholly owned subsidiary on a line by line basis. The trading results of the subsidiary are disclosed in note 8 to these accounts.

In accordance with the provisions of s408 of the Companies Act 2006 and paragraph 397 of the SORP, the charity is exempt from the requirement to present its own income and expenditure account and Statement of Financial Activities. Income of the charity (parent company) amounted to £11.519m. Net incoming/(outgoing) resources after realised/unrealised gains and losses on investments and other obligations amounted to £6.531m in the charity.

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. Governance costs comprise audit and legal fees and the costs associated with constitutional and statutory requirements.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

Costs in Nepal have been allocated to the direct charitable activities. 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 while 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 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.

(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 that is sufficient to meet the obligation for all 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 each fund is included in the notes to the financial statements.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

(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).

(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.

(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
Computers and software	33 33% 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 and project 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.

	2011/12 £000	2010/11 £000
a. Donations		
Donations from individuals	3,736	4,118
Donations from companies, trusts, clubs and organisations	485	1,085
	4,221	5,203
b. Legacies	3,381	2,848
c. Grant income		
Ministry of Defence - to support operating costs in Nepal	1,172	1,134
DfID - for water and sanitation projects in remote locations	880	930
d. Investment income		
Investment portfolio	910	1,089
e. Activities for generating funds		
Fundraising events	932	713
GWT Trading Ltd	23	0

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

Donations from individuals include contributions under the 'One Day Pay Scheme' of £351,000 (2010/11: £350,000) 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. There was an exceptional donation from a trust of £500,000 in 2010/11.

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.

4. Expenditure	Direct costs	Other direct costs	Support costs	2011/12 Totals	2010/11 Totals
	£000	£000	£000	£000	£000
a. Individual aid					
Welfare pensions	3,563	1,096	241	4,900	5,132
Disability support	76	24	5	105	97
Winter allowance	82	17	2	101	115
Welfare grants	74	148	23	245	158
Education grants	12	52	6	70	83
UK welfare	262	0	0	262	188
Total individual aid	4,069	1,337	277	5,683	5,773
b. Medical aid	1,383	452	53	1,888	1,797
c. Residential homes	149	17	5	171	151
d. Community aid					
Schools projects	186	113	15	314	270
Water projects	1,425	0	0	1,425	1,501
Total community aid	1,611	113	15	1,739	1,771
Charitable activities total	7,212	1,919	350	9,481	9,492
e. Cost of generating funds					
Fundraising	567	0	408	975	909
Investments	18	0	0	18	91
Total cost of generating funds	585	0	408	993	1,000
f. Governance	57	0	238	295	248
Total	7,854	1,919	996	10,769	10,740

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

UK Welfare includes a grant of £100,000 paid to the Army Benevolent Fund for the support of former Gurkhas who have retired in the UK and the cost of the Trust's support services in the UK, £162,000.

The total charitable activity cost of £9,481,000 represents 88% of total expenditure

5. Costs of generating funds and governance

	Costs of Generating Funds		Governance	2011/12	2010/11
	Fundraising	Investment Management		Total	Total
	£000	£000	£000	£000	£000
<i>Staff costs</i>	236	0	127	363	323
<i>Training & other costs</i>	20	0	68	88	55
<i>Premises costs</i>	48	0	21	69	66
<i>Office services</i>	52	0	23	75	86
<i>Legal & professional</i>	4	18	56	78	145
<i>Appeals & advertising</i>	615	0	0	615	573
	<u>975</u>	<u>18</u>	<u>295</u>	<u>1,288</u>	<u>1,248</u>

6. Staff, trustee and governance costs

a. Staff numbers

The Trust employs the following full time equivalent staff

		2011/12	2010/11
UK	Administration and fundraising	10	9
	Welfare	5	3
Nepal	Individual aid and general staff	172	172
	Water projects	98	97
	Schools projects	3	4

b. Staff costs

		2011/12	2010/11
		£000	£000
UK	Salaries	442	298
	Social security costs	43	29
	Pension	39	23
		<u>524</u>	<u>350</u>
Nepal	Salaries & benefits incl retirement gratuity	2,523	2,577
		<u>3,047</u>	<u>2,927</u>

One employee of the Trust had a salary between £60,001 and £70,000. Temporary staff are employed by the Trust to assist during appeals. The increase in UK salaries was primarily due to the expansion of the UK Welfare Centre.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

c. Trustees' expenses and remuneration

In 2011/12 no Trustee received any remuneration but six Trustees were either reimbursed or expenses were paid on their behalf of £16,317 in respect of attendance at meetings at the GWT Salisbury office, in London, Scotland and Nepal, (2010/11 six Trustees were either reimbursed or expenses were paid on their behalf of £13,566)

d. Net expenditure

Net expenditure for the period is stated after charging			2011/12	2010/11
			£000	£000
Audit fees,	UK excluding VAT	haysmacintyre - audit	19	18
		other	1	0
	Nepal	haysmacintyre - audit	0	5
	Nepal	CSC & Co - audit	9	8
Actuarial fees			2	2
Trustee indemnity insurance			2	2
Operating lease payments (rent)		UK	55	37

e. Charity Lease commitments

At 30 June 2012 the charity had annual commitments under non-negotiable operating leases as follows

		2011/12	2010/11
		£000	£000
Expiring	Property		
	Within 2 to 5 years	Nepal	
		3	9

7. Movement of Tangible Fixed Assets, Group and Charity

	Vehicles & Equipment	Land & Buildings	Computer Software	2011/12 Total
	£000	£000	£000	£000
Cost				
At 1 July 2011	210	620	0	830
Additions	40	261	11	312
At 30 June 2012	<u>250</u>	<u>881</u>	<u>11</u>	<u>1,142</u>
Depreciation				
At 1 July 2011	(121)	(50)	0	(171)
Charge for year	(55)	(50)	0	(105)
At 30 June 2012	<u>(176)</u>	<u>(100)</u>	<u>0</u>	<u>(276)</u>
Net Book Value				
At 1 July 2011	89	570	0	659
At 30 June 2012	<u>74</u>	<u>781</u>	<u>11</u>	<u>866</u>

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

8. Investments

The historical cost of investments at 30 June 2012 (including investment cash) was £35,856,000 (30 June 2010 £26,010,000) 75% of the investment assets are placed in a mixed portfolio of thematic funds including 6% in Odey OEI MAC Inc £B Class

Major movements in investments during the year were	2011/12	2010/11
	£000	£000
Opening market value (excl Cash)	24,910	29,009
Purchases	30,609	4,945
Disposal proceeds	(22,094)	(13,284)
Realised gains/(losses)	1,681	1,119
Unrealised gains/(losses)	(3,006)	3,060
Investments donated	2	61
Closing market value (excl Cash)	<u>32,102</u>	<u>24,910</u>
 Listed investments	 2011/12	 2010/11
<i>Fixed interest</i>	£000	£000
UK	6,225	2,335
Overseas	<u>321</u>	<u>581</u>
	6,546	2,916
<i>Equities</i>		
UK	7,868	7,815
Europe	228	255
North America	466	458
Latin America	256	664
Pacific Basin	0	1,310
Emerging Markets	1,004	0
Alternative investments	4,290	0
Other Overseas/Non Specific Region	<u>9,838</u>	<u>11,131</u>
	23,950	21,633
 <i>Property</i>	 1,606	 361
	<u>32,102</u>	<u>24,910</u>
 Cash held as part of investment portfolio	 <u>5,477</u>	 <u>13,113</u>
	<u>37,579</u>	<u>38,023</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 had £23,000 turnover for the year (2010/11 £ Nil) all of which was donated to the GWT (2010/11: £ Nil) Net assets at 30 June 2012 were £2 (2011: £2)

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

9. Debtors

	Group		Charity	
	2011/12	2010/11	2011/12	2010/11
	£000	£000	£000	£000
Accrued investment income	0	168	0	168
Prepayments	108	63	108	63
Other debtors	130	161	129	161
	<u>238</u>	<u>392</u>	<u>237</u>	<u>392</u>

10. Creditors

	Group		Charity	
	2011/12	2010/11	2010/11	2010/11
	£000	£000	£000	£000
Creditors and accruals	<u>185</u>	<u>262</u>	<u>185</u>	<u>262</u>

11. Pensions and retirement benefits

The charity provides defined contribution pension arrangements for its employees in the UK. Each employee is able to arrange their own personal pension plan and the charity contributes 2% of salary for every 1% contributed by the employee up to a maximum of 10%. Contributions are charged to the SOFA in the year in which they are made. The assets of the plans are held separately from those of the charity. The contributions made by the charity in 2011/12 were £39,000 (2010/11 £23,000). No further liability arose other than these payments.

The retirement benefits in Nepal consist of a defined contribution Provident Fund and a Gratuity on leaving. An independent gratuity fund has been in existence for some time for employees involved in the RWSP. In June 2012 additional funds were added to meet the gratuity entitlements for all other staff. The total liability is £655,000 (2010/11 of £682,000). Both the Provident Fund and the Gratuity Fund are held by the Gurkha Welfare Scheme Staff Retirement Benefit Fund, an independent body that is responsible for discharging the obligation to the employees on leaving the Trust's employment.

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 long term key assumptions:

- The level of benefit, NPRs 54,000 per annum (50,400 per annum in 2010-11), for welfare pensions will increase with inflation at 4% over the long term.
- An estimated number of 8,543 welfare pensioners (2010/11 9,143) with an average age of 76½. The actual audited number at 30 June 2012 was 8,148. There are other ex-Gurkhas but if they have not claimed they are not included. It is estimated that there may be as many as 1,500 ex-Gurkhas who left the service in the late 1960's and early 1970's and 500 ex Indian Army who served before 1947 who are not in receipt of a service pension.
- Future payments have been discounted at 8% pa (2010/11 8%), a rate recommended by the actuary and which represents an average yield on high-quality bonds in Nepal.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

The value of the obligation is particularly sensitive to the exchange rate of NPRs to GB£. Based on the exchange rate of NPRs 139.68 / £1, (2010/11 NPRs 113.00 / £1) that applied on 30 June 2012 the value of the obligation was **£22,818,000**. This is a decrease of £7,106,000 on the figure for 2010/11 of £29,924,000.

13. Analysis of net assets between funds, Group and Charity

	General funds £000	Designated funds £000	Restricted funds £000	Total £000
<i>Tangible assets</i>	866	0	0	866
<i>Investments</i>	31,579	6,000	0	37,579
<i>Current assets</i>	2,553	83	452	3,088
<i>Current liabilities</i>	(185)	0	0	(185)
<i>Gratuity commitments</i>	0	0	0	0
<i>Constructive obligations</i>	(22,818)	0	0	(22,818)
	<u>11,995</u>	<u>6,083</u>	<u>452</u>	<u>18,530</u>

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 2011 £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 2012 £000
Designated funds						
<i>Residential homes</i>	83	0	0	6,000	0	6,083
Total designated funds	83	0	0	6,000	0	6,083
General funds	11,028	6,432	(5,507)	(7,064)	7,106	11,995
Total unrestricted funds	<u>11,111</u>	<u>6,432</u>	<u>(5,507)</u>	<u>(1,064)</u>	<u>7,106</u>	<u>18,078</u>

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.

With the second residential home in Dharan nearing completion the Trustees took the prudent precaution of establishing a £6m fund designated to cover the running costs of the homes for the next twenty years so that the homes would not be a drain on the other activities of the Trust.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

15. Restricted funds of the charity

	Balance at 1 July 2011 £000	Incoming resources in the year £000	Outgoing resources in the year £000	Balance at 30 June 2012 £000
Grants to individuals:				
Welfare pensions	0	2,228	2,228	0
Winter allowance	7	80	82	5
Education	0	4	4	0
General individual aid	0	12	12	0
	<u>7</u>	<u>2,324</u>	<u>2,326</u>	<u>5</u>
Medical	0	3	3	0
	<u>7</u>	<u>2,327</u>	<u>2,329</u>	<u>5</u>
Residential homes:				
Kaski Running Costs	186	23	171	38
Dharan Build	510	6	261	255
RH general	62	20	40	42
	<u>758</u>	<u>49</u>	<u>472</u>	<u>335</u>
Water projects:				
Water projects - DfID	0	880	880	0
Water projects - other	0	553	548	5
	<u>0</u>	<u>1,433</u>	<u>1,428</u>	<u>5</u>
Schools projects:				
Tiplyang School	2	0	2	0
Neal Turkington Fund	56	41	55	42
Schools	0	3	3	0
	<u>58</u>	<u>44</u>	<u>60</u>	<u>42</u>
MOD	0	1,172	1,172	0
KAAA	0	46	46	0
Dir GWS Discretionary Fund	65	0	0	65
Samachara	0	16	16	0
Others				
	<u>888</u>	<u>5,087</u>	<u>5,523</u>	<u>452</u>

Restricted funds for welfare pensions are obtained from individuals that sponsor specific pensioners as well as other advertising and appeals. One donor has sponsored the winter allowance since its introduction.

One donor has sponsored the main construction costs of both the Kaski and Dharan residential homes while other donors have funded additional works. Funds to cover the running costs were received following an appeal in Samachara.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30 June 2012 (continued)

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 construction of a school in Tiplyang was sponsored by a very small number of supporters with close links to the village and a memorial fund in memory of Neal Turkington, lost in action while serving in Afghanistan, has raised sufficient funds to build at least two schools

The MOD grant in aid is provided to support the administration and infrastructure costs of the GWS while Kadoori Agricultural Aid Association (KAAA) are funding the medical camps

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