

The Gurkha Welfare Trust
Annual Report and Accounts

Year ended 30th June 2013

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 30th June 2013

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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 Peter Wall GCB CBE ADC Gen (Chairman)
Brigadier J A Anderson
Lieutenant General Sir David Bill KCB
J J Brade Esq MBE
D Clifford Esq MVO (from 1st January 2013)
Mrs D Donovan OBE
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 CBE
Brigadier N Moffatt CBE (until 1st August 2013)
G P McNaught Esq CA (until 31st December 2012)
Major General N A W Pope CBE
Brigadier G Ratcliffe
Colonel I A Rigden OBE (until 30th November 2012)
Colonel J Robinson (from 1st December 2012)**

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) (until 31st December 2012)
D Clifford Esq MVO (from 1st January 2013)
Brigadier J A Anderson
Brigadier G Ratcliffe
Colonel I A Rigden OBE (until 30th November 2012)
Colonel J Robinson (from 1st December 2012)**

Governance Committee (from 10th April 2013)

**F Dufficy Esq (Chairman)
Brigadier J Anderson
J J Brade Esq MBE**

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 D Fenn QOGLR (until 31st October 2012)

Lieutenant Colonel G R Blewitt R WELSH (from 1st November 2012)

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Company Limited by Guarantee Number

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The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013

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 Strategy

The Trust's Strategy Review 2011 established

- 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 Vision and Priorities underpin the development of all current Trust activities

Trust Structure and Means of Delivery

The Trust's headquarters is at Salisbury, Wiltshire. In Nepal the Trust maintains an Headquarters in Pokhara in West Nepal for the Gurkha Welfare Scheme (GWS), the Trust's delivery arm, that manages the activities of the Trust's network of 20 Area Welfare Centres (AWCs) sited in key locations throughout the Brigade's recruiting heartlands. The AWCs provide the platform for the delivery of all Trust welfare programmes as well as providing a visible reassurance to the Gurkha communities that the Trust is there to support them. They also enable the Trust's Area Welfare Officers (AWOs) and their supporting staff to respond quickly to applications for welfare support.

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

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

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 support of this process Trustees agreed to establish a Governance Committee, primarily to oversee the recruitment, selection and appointment of Trustees, but also to ensure the Trust's governance arrangements complied with legislation and best practice

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, to include the management of the Trust's field staff and the associated 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 towards the costs of the staff and administrative costs of the GWS and its AWCs.

In UK the Trust works 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.

In November 2012 Trustees agreed to work on a limited basis with a UK based charity, Child Aid in Rural Nepal (CAIRN). CAIRN is an educational and community support charity. Its objects complement those of the Trust with regard to the funding of schools and the provision of education facilities in the more remote areas of Nepal. A trial project is under way, to be completed by March 2014, following which the Trustees will review the future of the partnership

(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). These accounts amalgamate those of the unincorporated trust in compliance with the Charity Commission's uniting direction

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

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 themselves 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

(3) 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. In doing so the Review continued 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

The provision of a welfare pension remains at the centre of the Trust's Vision and key to enabling these ex-servicemen and their widows live out their lives with dignity. The cost of this Programme represents 43% of total expenditure by the Trust

At the beginning of the reporting period there were 8,148 individuals in receipt of a welfare pension from the Trust. During the past 12 months 535 welfare pensioners died. Of these 134 were married and their pension has been transferred to their widows. A further 39 new welfare pensions were awarded 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. By the end of June 2013 the number of welfare pensioners had declined to 7,475, almost 60% of whom were widows. With an average age of 77 years the Trust expects the decline in numbers to accelerate over the next 10 years.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

Each year Trustees conduct a comprehensive review of the rate of welfare pension to take into account the rate of inflation in Nepal. Their discussions are informed by the costing of a comprehensive basket of goods that provides sufficient for 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.

For FY 2012/13 Trustees agreed an increase of 11% to the rate of welfare pension from NPR 4,500 to NPR 5,000 per month (NPR 60,000 pa). In agreeing this increase, Trustees remained acutely conscious of the increasing frailty of our old soldiers, especially those who served in the Second World War. These concerns remain and are reflected in the Trustees' decision to increase the rate of welfare pension for FY 2013/14 by a further 16% from NPR 5,000 to NPR 5,800 (NPR 69,600 pa).

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. During the year 285 welfare grants were awarded totalling £14,000. The overwhelming number of 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 £98,000, of which the cost of the grants was met in entirety by a single Trust supporter.

The cost of delivering welfare grants is considerable as many welfare pensioners live in remote areas. 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 89 years.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

The construction of a second residential home at the Trust's AWC in Dharan in East Nepal is almost complete. It will provide a haven for a further 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. The annual running costs of both residential homes are to be met by the use of Designated Funds and Trustees have accordingly made provision for this in the Accounts. Trustees will consider in due course the need for further residential homes.

Nepal: Individual Aid – Medical

The Trust Medical and Key Hospital Scheme provides 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 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 three mobile doctors to enable the deployment of appropriate medical support to the point of need.

In 2012/13 the Trust's Medical Scheme provided 138,686 primary medical care appointments at the Trust's AWCs, a 10% increase over the previous year. Secondary medical care was provided in support of 9,919 individuals, a slight decrease over the previous year. The Trust, in conjunction with KAAA, supported eight Eye/Gynaecological/ Dental Camps that treated a total of 14,747 individuals.

Trustees were increasingly concerned at the overall costs of the Scheme which had increased by 126% in the past five years. The Strategy Review identified the need to ensure future costs were properly controlled. The Trust has recently carried out a review of current practices, introduced a more rigorous process of medical audit and made improvements to the management of medical stocks. As a consequence costs fell by 10% in FY 2012/13.

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 substantial military pension. As a consequence Trustees have agreed no new grants should be awarded. In FY 2012/13 only 55 students received continuation grants in support of education with a total value of £5,000. The Scheme closed on 30th June 2013.

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 125 new schools have been constructed using Trust resources.

In recognition of the increasing numbers of ex-members of the Brigade who were settling in the towns rather than returning to their traditional hill villages, Trustees agreed to re-focus the School Building Programme on the enhancement of education facilities in urban areas and the maintenance of existing schools, rather than the construction of new schools. In 2012/13 only one school was constructed using restricted funds at a cost of £18,000. A total of £285,000 was spent on the maintenance, refurbishment and improvement of existing schools.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

For the future Trustees intend to maintain their focus on the refurbishment and extension of schools rather than the construction of new schools. New schools will only be constructed as and when specific funds are provided by Trust supporters.

Nepal: Community Aid – Rural 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 FY2012/13 of £1,178,000. A total of 52 new projects were completed during the period, ranging from the drilling for water to the installation of tap stands and latrines in village communities. Sixteen 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.

DfID has contributed £1,330,000 to the Programme in support of activities during FYs 2011/12 and 2012/13. With effect from FY 2013/14 DfID has agreed to increase the level of annual funding to £1,250,000 for each of the two years 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. DfID funding beyond 31st March 2015 remains under discussion.

Nepal: Infrastructure and Staff

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 £7,996,000. 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; the latter providing funds for the means of delivery. This arrangement ensures that as much money as possible received from donations is spent on welfare and not administration. In FY 2012/13 a grant of £1,201,000 was paid by the MOD, with the shortfall of £515,000 being met by Trust general funds.

As part of a wider programme of ensuring the costs of delivering welfare remain under control Trustees:

- Introduced in July 2012 revised terms and conditions of service for GWS Staff 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. These new arrangements will enable savings in the long term.
- Agreed a rationalisation programme for the Trust's network of AWCs to take into account improvements to Nepal's national infrastructure and to meet the needs of the Trust until 2021.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

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 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 other Service charities. Many ex-Gurkhas 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 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

The Trust has agreed with other 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 other 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 2012/13 the grant was £200,000. The amount of future grants will be kept under review.

Rest of the World: Support to Ex-Gurkhas

The Trust's objects impose no geographical limitation on the Trust in responding to requests for support. As a consequence, Trustees have agreed the provision of a further grant of £20,000 to the Royal Commonwealth Ex-Servicemen's League in support of ex-Gurkhas in distress in Burma. These funds will be distributed on the Trust's behalf over the next five years by the Burma Forces Welfare Association.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

(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.

(5) Financial Review

Incoming Resources

During the period the Trust received an income from all sources of £12,804,000, an increase of 10% over the previous year. This total included grants of £1,201,000 from MOD and £1,330,000 from DfID.

Donations from individuals, companies, trusts and other organisations totalled £4,265,000 (£4,221,000 in FY 2011/12) 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 £450,000 in support of the Trust's community aid programmes

Other notable donations include £341,000 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 £3,959,000, a 17% increase on the previous year, reflecting a continuing excellent return on the Trust's continuing legacy awareness campaign and relationship fundraising – but also, sadly, 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 £8,473,000 which represented 84% of total expenditure. The majority of these funds were used to sustain the 7,475 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 continue 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 reduced by 15% reflecting the efficiency measures introduced over the year 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.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

UK Fundraising Costs

In FY 2012/13 Trustees agreed the re-structuring of the Trust's fundraising staff as a response to the decline in income from donations and other sources. The aim of re-structuring was not only to develop existing fundraising activities but also to open new programmes, specifically those associated with grant-making trusts and major donors. The restructuring involved not only the recruitment of new staff but also the upgrading and adjustment of existing responsibilities within the Trust office. This process was completed in December 2012 and ensures the Trust is well-placed to tackle the demands of both the current and future fundraising environments. The fundraising income of over £9,040,000 against expenditure of £1,190,000 represents a Return of 8:1. Trustees consider this 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 £231,000 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 and Performance

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.

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 £1,233,000 (2011/12: £1,032,000). The Trust also achieved realised and unrealised gains of £4,662,000 (2011/12: losses of £1,325,000) and Investment Management costs were £184,000 (2011/12: £140,000).

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 and 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.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

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:

- **Grant Funding 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 monitor 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 £4,000,000 to be held in Nepal.
- **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." 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.

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

- 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.
- 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. Establishing the extent of this provision is not a precise exercise and is affected by relatively small changes in benefit levels, fluctuations to the rate of inflation in Nepal, the reliability of actuarial data, the rate of exchange and the age profile of the beneficiaries. Collectively these and other factors have a significant long term impact on future costs. As a consequence, the extent of the Constructive Obligation can fluctuate significantly year by year. For 2012/13 the Constructive Obligation as at 30 June 13 was £34,329,000 against a rate of exchange of NPR142.68/£1. This represents an increase of £11,511,000 over the previous year when the rate of exchange was NPR 139.68/£1 and reflects a reassessment in assumed pension inflation from 4% to 6% and a better understanding of the beneficiary profile to support the assumptions.

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

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 free reserves, which exclude tangible fixed assets, amount to £6,072,000 as at 30 June 13 (2011/12 £11,129,000). This represents just over 7 months of total expenditure. Given the volatility of investment markets, the continued uncertainty over future rates of exchange and the uncertain fundraising climate, Trustees will continue to keep Trust finances under close review.

Designated Funds

The Trust holds designated funds totalling £6,378,000 (2011/12 £6,083,000) as at 30th June 13. 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

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

(6) Plans for the Future

The Trust's most recent Strategy Review in 2011 charted the course of the Trust for the period to 2016. It 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

Trustees are now beginning to consider the scope and direction of Strategy Review 2016. At the forefront will be the increasing needs of our welfare pensioners in their old age and the future balance between relief and development welfare activities.

2015 marks the 200th anniversary of Gurkha service. Trustees have agreed that this is a unique opportunity to advertise the work of the Trust to a wide audience and to generate funds. As a consequence, the Trust will work with the serving Brigade with the aim of enabling a series of fundraising activities that enhance the Brigade's reputation both nationally and internationally and which engages support for the Trust.

(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 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

The Gurkha Welfare Trust

Trustees' Report for the Year ended 30th June 2013 (continued)

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

(8) Auditors

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

On behalf of the Trustees.



Sir Peter Wall
Chairman

8 November 2013

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 30th June 2013 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 in the 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' 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 30th June 2013 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)

*26 Red Lion Square
London WC1R 4AG*

20 November 2013

The Gurkha Welfare Trust

Consolidated statement of financial activities for year ended 30th June 2013

		Unrestricted		Restricted	2012/13	2011/12
		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	1,584	0	2,681	4,265	4,221
Legacies	3b	3,869	0	90	3,959	3,381
Government grants	3c					
Ministry of Defence		0	0	1,201	1,201	1,172
Department for International Development		0	0	1,330	1,330	880
Investment income	3d					
Investments		1,233	0	0	1,233	1,032
<i>Activities for generating funds</i>						
Fundraising events	3e	806	0	9	815	932
Income from GWT Trading		1	0	0	1	23
Total incoming resources		7,493	0	5,311	12,804	11,641
Resources expended	4					
<i>Cost of generating funds</i>	4e&5					
Fundraising costs	4e	1,185	0	5	1,190	975
Investment management costs	4e	184	0	0	184	140
<i>Direct charitable activities</i>						
Individual aid	4a	2,423	0	2,758	5,181	5,683
Medical aid	4b	1,284	0	327	1,611	1,888
Residential Homes	4c	0	0	218	218	171
Community aid	4d	189	0	1,274	1,463	1,739
<i>Governance costs</i>	4f&5	209	0	0	209	295
Total resources expended		5,474	0	4,582	10,056	10,891
Net incoming/(outgoing) resources before transfers		2,019	0	729	2,748	750
Transfers between funds	14&15	141	295	(436)	0	(0)
Net incoming/(outgoing) resources before other recognised gains and losses		2,160	295	293	2,748	750
<i>Net realised gain/(loss) on investment assets</i>	8	75	0	0	75	1,681
<i>Net unrealised gain/(loss) on investment assets</i>	8	4,587	0	0	4,587	-(3,006)
<i>Movement in constructive obligation</i>	12	(11,511)	0	0	(11,511)	7,106
Net movement in funds		(4,689)	295	293	(4,101)	6,531
Funds brought forward		11,995	6,083	452	18,530	11,999
Total charity funds	13-15	7,306	6,378	745	14,429	18,530

NOTES

The consolidated 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 deficit for Companies Act purposes (before unrealised gains and losses) is £8,688,000

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

The Gurkha Welfare Trust

Company registration number 05098581

Consolidated and Charity Balance Sheet at 30th June 2013

		Group		Charity	
	Notes	2013	2012	2013	2012
		£000	£000	£000	£000
Fixed assets:					
Tangible assets	7	1,234	866	1,234	866
Investments	8	42,956	37,579	42,956	37,579
		<u>44,190</u>	<u>38,445</u>	<u>44,190</u>	<u>38,445</u>
Current assets					
Debtors	9	121	238	121	237
Medication & project stock		163	143	163	143
Cash		5,786	3,762	5,786	3,762
		<u>6,070</u>	<u>4,143</u>	<u>6,070</u>	<u>4,142</u>
Current liabilities					
Creditors falling due within one year	10	(314)	(185)	(314)	(185)
Provision for liabilities and charges					
Constructive obligation (Welfare pensions)	12				
Falling due within one year		(3,140)	(3,111)	(3,140)	(3,111)
		<u>2,616</u>	<u>847</u>	<u>2,616</u>	<u>846</u>
Net current assets					
Amounts falling due after more than one year					
Gratuity commitments	11	(1,188)	(1,055)	(1,188)	(1,055)
Provision for liabilities and charges					
Constructive obligation (Welfare pensions)	12				
Falling due after more than one year		(31,189)	(19,707)	(31,189)	(19,707)
		<u>14,429</u>	<u>18,530</u>	<u>14,429</u>	<u>18,529</u>
Net assets					
The funds of the charity:					
Restricted funds	13 & 15	745	452	745	452
Unrestricted funds					
General	13 & 14	41,635	34,813	41,635	34,812
Welfare pension reserve	12	(34,329)	(22,818)	(34,329)	(22,818)
		<u>7,306</u>	<u>11,995</u>	<u>7,306</u>	<u>11,994</u>
Net General funds					
Designated	13 & 14	6,378	6,083	6,378	6,083
		<u>13,684</u>	<u>18,078</u>	<u>13,684</u>	<u>18,077</u>
Unrestricted funds after provision for liabilities and charges					
Total charity funds	13	<u>14,429</u>	<u>18,530</u>	<u>14,429</u>	<u>18,529</u>

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

Approved and authorised for issue by the Board of Trustees' on 8th November 2013 and signed on their behalf by:



Sir Peter Wall

Chairman

8 November 2013

The notes on pages 24 to 34 form part of these accounts 22

The Gurkha Welfare Trust

Consolidated cash flow statement for the year ended 30th June 2013

	Notes	2012/13	2011/12
	below	£000	£000
Operating cash flow			
Net cash inflow / (outflow) from operating activities	(a)	1,975	(701)
Investing cash flow			
Investment income		1,233	1,032
Financing cash flow			
Purchase of tangible assets		(469)	(312)
Purchase of investments		(9,365)	(30,609)
Proceeds from sale of investments		5,852	22,094
Net cash flow before management of liquid resources		(774)	(8,496)
Cash deducted / (added) from short term deposits	(b)	2,798	7,636
Increase in cash in the year		2,024	(860)
Net cash resources at 1 July 2012		3,762	4,622
Net cash resources at 30 June 2013	(b)	5,786	3,762
(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	2,748	750
Depreciation	101	105
Decrease / (increase) in debtors	117	154
(Increase) / Decrease in stocks	(20)	83
Increase / (Decrease) in creditors & accruals	262	(759)
Investment income received	(1,233)	(1,032)
Investments donated by legacy	0	(2)
	1,975	(701)

(b) Analysis of net funds

	30 Jun 2013 £000	30 Jun 2012 £000	Cash flow in year £000
Cash	5,786	3,762	2,024
Cash and short term deposits held as part of investment portfolio	2,679	5,477	(2,798)
	8,465	9,289	(774)

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

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013

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 30th June 2013. 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 £12,804,000. Net incoming/(outgoing) resources after realised/unrealised gains and losses on investments and other obligations amounted to (£4,101,000) 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 30th June 2013 (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 Statement of Financial Activities (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. A fund has been created that is sufficient to meet the obligation for all employees. A provision is included in the accounts to cover the obligation.

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. Where funds are held in investments, returns and losses are applied accordingly.

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 30th June 2013 (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 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.

	2012/13	2011/12
	£000	£000
a. Donations		
Donations from individuals	3,561	3,736
Donations from companies, trusts, clubs and organisations	704	485
	4,265	4,221
b. Legacies	3,959	3,381
c. Grant income		
Ministry of Defence - to support operating costs in Nepal	1,201	1,172
DfID - for water and sanitation projects in remote locations	1,330	880
d. Investment income		
Investment portfolio	1,233	1,032
e. Activities for generating funds		
Fundraising events	815	932
GWT Trading Ltd	1	23

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013 (continued)

Donations from individuals include contributions under the 'One Day Pay Scheme' of £341,000 (2011/12 £351,000) 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 £200,000 in 2012/13.

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	2012/13 Totals	2011/12 Totals
	£000	£000	£000	£000	£000
a. Individual aid					
Welfare pensions	3,355	793	175	4,323	4,900
Disability support	78	17	4	99	105
Winter allowance	84	13	1	98	101
Welfare grants & support	14	107	16	137	245
Education grants	5	38	4	47	70
UK welfare	434	0	43	477	262
Total individual aid	3,970	968	243	5,181	5,683
b. Medical aid	1,245	327	39	1,611	1,888
c. Residential homes	170	32	16	218	171
d. Community aid					
Schools projects	192	82	11	285	314
Water projects	1,178	0	0	1,178	1,425
Total community aid	1,370	82	11	1,463	1,739
Charitable activities total	6,755	1,409	309	8,473	9,481
e. Cost of generating funds					
Fundraising	685	0	505	1,190	975
Investment management	177	0	7	184	140
Total cost of generating funds	862	0	512	1,374	1,115
f. Governance	42	0	167	209	295
Total	7,659	1,409	988	10,056	10,891

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013 (continued)

UK Welfare includes a grant of £200,000 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 is £281,000. The total charitable activity cost of £8,473,000 represents 84% of total expenditure

5. Costs of generating funds and governance

	Costs of Generating Funds		Governance	2012/13	2011/12
	Fundraising	Investment Management		Total	Total
	£000	£000	£000	£000	£000
<i>Staff costs</i>	354	5	110	469	363
<i>Training & other costs</i>	28	0	30	58	88
<i>Premises costs</i>	50	1	16	67	69
<i>Office services</i>	54	1	12	67	75
<i>Legal & professional</i>	18	177	41	236	78
<i>Appeals & advertising</i>	686	0	0	686	615
	<u>1,190</u>	<u>184</u>	<u>209</u>	<u>1,583</u>	<u>1,288</u>

6. Staff, trustee and governance costs

a. Staff numbers

The Trust employs the following full time equivalent staff:

		2012/13	2011/12
UK	Administration and fundraising	10	8
	Welfare	5	5
Nepal	Individual aid and general staff	174	172
	Water projects	84	98
	Schools projects	3	3

b. Staff costs

		2012/13	2011/12
		£000	£000
UK	Salaries	615	442
	Social security costs	58	43
	Pension	39	39
		<u>711</u>	<u>524</u>
Nepal	Salaries & benefits incl retirement gratuity	2,381	2,523
		<u>3,092</u>	<u>3,047</u>

One employee of the Trust had a salary between £70,001 and £80,000 and one employee had a salary between £60,001 and £70,000. Employer's pension contributions for these staff were £7,000 (2011/12: £6,000). Temporary staff are employed by the Trust to assist during appeals. The increase in UK salaries was primarily due to restructuring the fundraising activity.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013 (continued)

c. Trustees' expenses and remuneration

In 2012/13 no Trustee received any remuneration or pension but eight Trustees were either reimbursed or expenses were paid on their behalf of £17,023 principally on travel to Nepal but also in respect of attendance at meetings at the GWT Salisbury office, in London and Nepal, (2011/12: six Trustees were either reimbursed or expenses were paid on their behalf of £16,317)

d. Net expenditure

Net expenditure for the period is stated after charging				2012/13	2011/12
				£000	£000
Audit fees,	UK excluding VAT	haysmacintyre	- audit	18	19
			- other	5	1
	Nepal	CSC & Co	- audit	8	9
Actuarial fees				2	2
Trustee indemnity insurance				2	2
Operating lease payments (rent)	UK			55	55
	Nepal			12	12

e. Charity Lease commitments

At 30 June 2013 the charity had annual commitments under non-negotiable operating leases as follows

			2012/13	2011/12
			£000	£000
Expiring	Property			
		Within 2 to 5 years		
		Nepal	7	3
		UK	74	70

7. Movement of Tangible Fixed Assets, Group and Charity

	Vehicles & Equipment £000	Land & Buildings £000	Computer Software £000	2012/13 Total £000
Cost				
At 1 July 2012	250	881	11	1,142
Additions	30	436	3	469
At 30 June 2013	280	1,317	14	1,611
Depreciation				
At 1 July 2012	(176)	(100)	0	(276)
Change for year	(46)	(50)	(5)	(101)
At 30 June 2013	(222)	(150)	(5)	(377)
Net Book Value				
At 1 July 2012	74	781	11	866
At 30 June 2013	58	1,167	9	1,234

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013 (continued)

8. Investments

The historical cost of investments at 30th June 2013 (including investment cash) was £36,646,000 (30 June 2010: £35,856,000). 90% of the investment assets are placed in a mixed portfolio of thematic funds including 7% in Odey OEI MAC Inc. £B Class.

Major movements in investments during the year were	2012/13	2011/12
	£000	£000
Opening market value (excl Cash)	32,102	24,910
Purchases	9,365	30,609
Disposal proceeds	(5,852)	(22,094)
Realised gains/(losses)	75	1,681
Unrealised gains/(losses)	4,587	(3,006)
Investments donated	0	2
Closing market value (excl Cash)	<u>40,277</u>	<u>32,102</u>
 Listed investments	 2012/13	 2011/12
<i>Fixed interest</i>	£000	£000
UK	4,896	6,225
Overseas	<u>1,218</u>	<u>321</u>
	6,114	6,456
<i>Equities</i>		
UK	10,762	7,868
Europe	455	228
North America	599	466
Latin America	298	256
Emerging Markets	1,410	1,004
Alternative investments	5,686	4,290
Other Overseas/Non Specific Region	<u>13,309</u>	<u>9,838</u>
	32,519	23,950
 <i>Property</i>	 <u>1,644</u>	 <u>1,606</u>
	40,277	32,102
Cash held as part of investment portfolio	<u>2,679</u>	<u>5,477</u>
	<u>42,956</u>	<u>37,579</u>

Investments over 5%

The holdings in each of the following investment funds represent more than 5% of the investments.

Sarasin Sterling Bond - I Inc: £2,447,000

Sarasin Charity - Thematic UK Equity (GBP) - X Inc £5,090,000

Sarasin Equisar - UK Thematic Opportunities - I Inc £5,672,000

OEI Mac Inc - B - GBP: £2,882,000

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 £597 turnover for the year (2011/12: £22,683) the net surplus of £177 which was donated to the GWT (2011/12: £19,963). Net assets at 30th June 2013 were £2 (2012:£2)

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013 (continued)

9. Debtors

	Group		Charity	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Accrued investment income	0	0	0	0
Prepayments	104	108	104	108
Other debtors	17	130	17	129
	<u>121</u>	<u>238</u>	<u>121</u>	<u>237</u>

10. Creditors

	Group		Charity	
	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000
Taxation & social security	20	0	20	0
Other creditors and accruals	294	185	294	185
	<u>314</u>	<u>185</u>	<u>314</u>	<u>185</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 2012/13 were £39,000 (2011/12: £39,000). No further liability arose other than these payments.

The retirement benefits in Nepal consist of a defined contribution Provident Fund with 10% contributions from both employer and employee and a Gratuity on leaving based on years of service as required by Nepali Labour Laws. An independent gratuity fund has been established for all staff to match the total liability of £1,188,000. The 2011/12 balance sheet has been restated to include the cash fund and the related liability of £1,055,000. The Provident Fund is 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 assumptions:

- The level of benefit agreed for 2013-14, NPRs 69,600 per annum (54,000 per annum in 2011-12), for welfare pensions will increase with inflation at 6% over the long term (4% in 2011-12).
- An estimated number of 7,630 welfare pensioners (2011/12: 8,543) with an average age of 77.9. The actual number at 30th June 2013 was 7,475.
- On the death of an ex-Gurkha the pension is transferred to a surviving widow and an allowance has been included for these anticipated transfers in the light of improved information on the pensioner population.

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Notes to the Accounts for the Year ended 30th June 2013 (continued)

- An estimated 1,688 ex-Gurkhas who left the service in the late 1960's and early 1970's and 400 ex Indian Army who served before 1947 who are not in receipt of a service pension may apply for a welfare pension in the future.
- Future payments have been discounted at 8% pa (2011/12: 8%) which represents an average yield on high-quality bonds in Nepal.

The value of the obligation is particularly sensitive to the exchange rate of NPRs to GBP£. Based on the exchange rate of NPRs 142.68 / £1, (2011/12: NPRs 139.68 / £1) that applied on 30th June 2013 the value of the obligation was **£34,329,000**. This is an increase of £11,511,000 on the figure for 2011/12 of £22,818,000.

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

	Unrestricted funds £000	Restricted funds £000	Total £000
<i>Tangible assets</i>	1,234	0	1,234
<i>Investments</i>	42,956	0	42,956
<i>Current assets</i>	5,325	745	6,070
<i>Current liabilities</i>	(314)	0	(314)
<i>Gratuity commitments</i>	(1,188)	0	(1,188)
<i>Constructive obligations</i>	(34,329)	0	(34,329)
	<u>13,684</u>	<u>745</u>	<u>14,429</u>

14. Unrestricted funds

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 2012 £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 2013 £000
Designated funds						
<i>Residential homes</i>	6,083	0	0	295	0	6,378
Total designated funds	<u>6,083</u>	<u>0</u>	<u>0</u>	<u>295</u>	<u>0</u>	<u>6,378</u>
General funds	11,995	7,493	(5,474)	4,803	(11,511)	7,306
Total unrestricted funds	<u>18,078</u>	<u>7,493</u>	<u>(5,474)</u>	<u>5,098</u>	<u>(11,511)</u>	<u>13,684</u>

The Michael Uren Foundation donated £150,000 in 2008 on an unrestricted basis which the Trustees designated for costs relating to the residential homes. £83,000 has been carried forward.

With the second residential home in Dharan nearing completion the Trustees took the prudent precaution in 2011-12 of designating £6m of the unrestricted funds 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 30th June 2013 (continued)

The transfer of £295,000 represents the actuarial interest arising from the reversal of the annual element of the discount applied to the total running costs over the twenty years.

15. Restricted funds of the charity

	Balance at 1 July 2012 £000	Incoming resources in the year £000	Outgoing resources in the year £000	Transfers between funds £000	Balance at 30 June 2013 £000
a. Grants to individuals:					
Welfare pensions	0	1,771	1,771	0	0
Winter allowance	5	85	87	0	3
Education	0	1	1	0	0
	<u>5</u>	<u>1,857</u>	<u>1,859</u>	<u>0</u>	<u>3</u>
b. Residential homes:					
Kaski Running Costs	38	10	48	0	0
Dharan Build	255	206	0	436	25
RH general	42	590	170	0	462
	<u>335</u>	<u>806</u>	<u>218</u>	<u>436</u>	<u>487</u>
c. Water projects:					
Water projects - DfID	0	1,330	1,181	0	149
Water projects - other	5	1	0	0	6
	<u>5</u>	<u>1,331</u>	<u>1,181</u>	<u>0</u>	<u>155</u>
d. Schools projects:					
Neal Turkington Fund	42	39	0	0	81
Schools	0	18	18	0	0
	<u>42</u>	<u>57</u>	<u>18</u>	<u>0</u>	<u>81</u>
e. Other grants:					
MOD	0	1,201	1,201	0	0
KAAA	0	50	50	0	0
Dir GWS Discretionary Fund	65	0	46	0	19
Adrian Griffith Fund	0	4	4	0	0
Samachara	0	5	5	0	0
	<u>452</u>	<u>5,311</u>	<u>4,582</u>	<u>436</u>	<u>745</u>

A transfer from the Dharan Residential Home Building Fund to General Funds of £436,000 has been posted to the SOFA for expenditure on the building during the year

a. Grants to individuals

Restricted funds for welfare pensions are obtained from individuals that sponsor specific pensioners as well as other advertising and appeals. One supporter continues to fund the Winter Allowance. Existing education grants have been honoured but no new grants have been awarded.

The Gurkha Welfare Trust

Notes to the Accounts for the Year ended 30th June 2013 (continued)

b. Residential homes

The Michael Uren Foundation has sponsored the main construction costs of both the Kaski and Dharan residential homes while other donors have funded additional works

c. Water projects

The Water projects (DfID) fund is money received from DfID for the rural water and sanitation programme.

d. Schools projects

A memorial fund in memory of Neal Turkington, lost in action while serving in Afghanistan, continues to raise funds to build schools.

e. Other grants

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

A memorial fund in memory of Adrian Griffith, a former Field Director of the GWS, raised funds for an accommodation unit at the Chitwan Area Welfare Centre for beneficiaries attending the local cancer hospital

The Director GWS Discretionary fund is money provided by DfID to be used for infrastructure requirements at the discretion of the Director GWS

A donation of £5,000 was received as sponsorship for an issue of Samachara, the Trust's newsletter

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