

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

**Year ended 30<sup>th</sup> June 2014**

**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<sup>th</sup> June 2014**

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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 (until 28<sup>th</sup> September 2013)  
J J Brade Esq MBE  
D Clifford Esq MVO  
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 1<sup>st</sup> August 2013)  
Major General N A W Pope CBE  
Brigadier G Ratcliffe  
Colonel J Robinson  
Major General T Urch CBE (from 28<sup>th</sup> September 2013)

### **Investment Committee**

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

### **Audit Committee**

D Clifford Esq MVO (Chairman)  
Brigadier J A Anderson  
Brigadier G Ratcliffe  
Colonel J Robinson

### **Governance Committee**

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 S Harris OBE

## **Field Director The Gurkha Welfare Scheme**

Lieutenant Colonel G R Blewitt RWelsh

## **Investment Managers**

Sarasin & Partners LLP  
Juxon House, 100 St Paul's Churchyard  
London EC4M 8BO

## **Auditors**

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## **Bankers**

The Royal Bank of Scotland  
Lawrie House, Victoria Road  
Farnborough GU14 7NR

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90 Baker Street  
London W1M 2AX

## **Solicitor**

A J Lutley Esq  
Springfield, Rookery Hill  
Ashted Park, Ashted  
Surrey KT21 1HY

## **Registered Address**

P.O Box 2170  
22 Queen Street  
Salisbury SP2 2EX

## **Company Limited by Guarantee Number**

05098581

## **Registered Charity Number**

1103669

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

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**

##### **Trust Structure and Means of Delivery**

The Gurkha Welfare Trust's (GWT or Trust) headquarters is at Salisbury, Wiltshire.

In Nepal the Trust's field arm, the Gurkha Welfare Scheme (GWS), is located in Pokhara, West Nepal. It oversees and directs the activities of the Trust's network of 20 Area Welfare Centres (AWCs) sited in key locations throughout the Brigade's recruiting heartlands. These 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 the UK the Gurkha Welfare Advice Centre (GWAC) at Salisbury provides advice on statutory entitlements and guidance on welfare support to ex-Gurkhas in the 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 has been supported by a number of subordinate committees that consider investment, governance and audit matters.

In 2014 Trustees established a Governance Committee to ensure that not only were the Trust's governance arrangements kept under constant review but that they complied fully 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 GWAC. 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.

# **The Gurkha Welfare Trust**

## **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

### **Implementing Partners**

In Nepal the Trust continues to work closely with the Kadoorie Agricultural Aid Association (KAAA), 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 an 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 (GiA) towards the costs of the staff and administrative costs of the GWS and its AWCs.

In the 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. Trustees have agreed to develop this 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.

In recognition of the changing need in Nepal and specifically the need to enable enhanced support to Gurkha communities as well as individuals, the Trust's Objects have been adjusted and brought up to date:

- to relieve either generally or individually Gurkhas and their Dependants and other persons in Gurkha Community Areas, who are in conditions of need, hardship or distress;
- to advance the education of Gurkhas and their Dependants and other persons in Gurkha Community Areas;
- to make provision for the medical diagnosis and treatment of Gurkhas and their Dependants and other persons in Gurkha Community Areas 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.

### **(3) 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 and are satisfied that the Trust is fully compliant with the Charities Act 2011.

# **The Gurkha Welfare Trust**

## **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

### **(4) The Strategic Report**

#### **(4a) Strategy**

The 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 in support of programmes, principally for individual aid but increasingly for community aid, in Nepal and more recently in support of ex-Gurkhas in the UK.

Trust strategy is reviewed every five years. The last Strategy Review in 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.

This Vision and its associated Priorities set the parameters to enable the Trust to respond to the needs of ex-servicemen. Activity levels have been sustained and in some cases increased, thanks to the generosity of our supporters, an increase in income from legacies and grants from two Government departments: the MOD, which provides funds in support of the cost of delivering aid, and the DfID, which provides funds for community development, principally water and sanitation.

However, there is increasing evidence of a changing need:

- Those welfare pensioners who choose to remain in Nepal are increasingly aged, unable to travel and in need of enhanced medical treatment, including palliative care.
- There is evidence of an emerging need for the Trust to support the development of Gurkha communities in the hills, specifically via the provision of education facilities and medical support, as they recover from the recent Maoist insurgency.
- The decline in the number of welfare pensioners continues, not just as a consequence of death but also as a result of emigration from Nepal to the UK under the Government's revised Immigration Rules for Gurkha Settlement. There is therefore an increase in the need for welfare support in the UK.

As a consequence Trustees are considering the future direction of Trust strategy. For the near term, Trustees believe there is an urgent requirement to review the provision of medical support to the welfare pensioners in their declining years to ensure they live out their lives in dignity:

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

- As they become increasingly aged and infirm, so the Trust will need to deliver medical support in their homes rather than expect them to visit our AWCs. The Trust proposes to respond by a major increase in the cadre of mobile doctors and the recruitment of district nurses to enable every welfare pensioner to be routinely visited in his or her own home every two months.
- There is also a requirement to ensure their basic needs are met on a daily basis via some form of care arrangement. For many there will be a requirement for palliative care. The Trust proposes to recruit and train carers, many of whom will be young family members, to provide the daily support required.
- For those welfare pensioners who are able to travel or who have a serious medical condition, the Trust proposes to develop the capability of the AWCs to provide the very best care, delivered promptly and with the support of Nepal's improving medical infrastructure.

For the longer term:

- Trustees have recognised the need to enhance and improve the current programme of building schools. To date the Trust has built 127 schools in the middle hills. However, many are now in need of refurbishment and new schools are required to meet the demands of the increasing hill population in the Brigade's traditional recruiting heartlands. Working with the CAIRN Trust the Trust proposes to develop a new model for providing education facilities in the hill communities via the construction of schools in support of primary and secondary education, nursery schools and libraries.
- Trustees also recognise the requirement for providing enhanced medical support to wider Gurkha communities beyond the welfare pensioners. This support is currently delivered via the programme of medical camps, but it is limited in its scope and capability.

These changing demands will require additional funds beyond current and forecast levels of income. 2015 marks the 200<sup>th</sup> year of Gurkha service to the Crown and Trustees believe the series of events undertaken by the serving Brigade and the Trust will provide an opportunity to raise the funds required, estimated to be an additional £5 million over 10 years.

Underscoring these developments is the need to ensure an appropriate infrastructure of AWCs, manned by individuals fully committed to the aims and ethos of the Trust. For the former, Trustees believe it essential to protect and develop our footprint in the middle hills. Resources will be provided to ensure this. For the latter, the Trust will continue to need ex-members of the Brigade to serve in key posts.

As a consequence of these developments Trustees are now beginning a debate on the future direction of Trust strategy. The Strategy Review 2011 recognised that at some stage Trustees would need to consider whether it wished to remain a relief organisation or evolve into a broader development organisation. In support of that debate and in view of the changing need in the hills of Nepal, Trustees have advanced the timing of the next Strategic Review to 2015. In doing so Trustees intend not only to meet current and near term demands on their resources, but also position the Trust and its work in Nepal for the long term.



## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

#### **(4b) Achievements and Performance**

##### **Nepal: Individual Aid – Welfare Pensions**

Trust strategy reaffirms 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 Trustees continue to recognise the debt the nation owes to these older ex-servicemen, many 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 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 regular income via a welfare pension is at the centre of the Trust's Vision and key to enabling these ex-servicemen and their widows to live out their lives with dignity. The cost of this Programme in FY 2013/14 was £4,117,000, representing 39% of total expenditure by the Trust.

At the beginning of the reporting period there were 7,475 individuals in receipt of a welfare pension from the Trust. During the past 12 months: 468 welfare pensioners died - of these 133 were married and their pension has been transferred to their widows; a further 44 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; 111 welfare pensioners are no longer paid as the recipients have emigrated to the UK under the Government's Gurkha Settlement Programme. By the end of June 2014 the number of welfare pensioners had declined to 6,912, almost 62% of whom were widows. With an average age of 78 years the decline in numbers continues.

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 rate of inflation in Nepal and 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 2013/14 Trustees applied an increase of 16%, against a rate of inflation of 9.5%, to the rate of welfare pension from NPR 5,000 to NPR 5,800 per month (NPR 69,600 pa). In giving 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 2014/15 by a further 21% from NPR 5,800 to NPR 7,000 (NPR 84,000 pa).

Trustees will continue to review the rate of welfare pension with the intention of increasing its value beyond the increase in cost of living as and when the Trust's financial circumstances allow in order to further improve the lives of our pensioners and their families.

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

#### **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 372 welfare grants were awarded totalling £20,436. 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 June 2014, the Trust received £123,000, the remaining funds of the Gurkha Welfare Association (Canada), which were used to pay an additional grant to every Welfare Pensioner.

In 2007 Trustees introduced the payment of an annual Winter Allowance of approximately £8 to every welfare pensioner. This support was repeated during the year with the rate increased by 10%, at a cost of £98,000 the direct cost of which 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 construction of a second residential home at the Trust's AWC in Dharan in East Nepal was completed in September 2013. It provides a secure haven for a further 26 ex-Gurkhas or their widows who otherwise would 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 met by the use of restricted and designated funds and Trustees have accordingly made provision for this in the Accounts. Trustees have confirmed the need for a third residential home, ideally to be located in the Kathmandu Valley.

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

#### **Nepal: Individual Aid – Medical**

The Trust Medical and Key Hospital Scheme continues to provide 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 2013/14 the Trust's Medical Scheme provided 111,681 primary medical care appointments at the Trust's AWCs, a 2% decrease over the previous year. Secondary medical care was provided in support of 9,827 individuals.

The Trust, in conjunction with KAAA, supported eight Eye/Gynaecological/ Dental Camps that treated a total of 14,795 individuals with a direct cost of £48,000. This cost was met in full by KAAA.

Trustees recognise the need to ensure the costs of the Medical Scheme remain firmly under control. Reviews of current practices are undertaken on a regular basis and measures to enable a rigorous process of medical audit and improve the management of medical stocks remain in place.

#### **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 127 new schools have been constructed using Trust resources.

In FY 2013/14 the Trust completed the development of an existing school in partnership with the CAIRN Trust. In addition 19 other schools were extended by the provision of additional classrooms, six schools underwent major refurbishment and 46 were subject to minor refurbishment at a total cost of £392,000.

Trustees have recognised the increasing importance of this Programme as the re-population of the middle hills continues following the Maoist insurgency. As a consequence the Programme's funding for FY 2014/15 has been increased by 94% to £418,000.

#### **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 FY2013/14 of £1,401,000. A total of 49 new projects were completed during the period, ranging from the drilling for water to the installation of tap stands and latrines in village communities. Twenty-one 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 £1,250,000 to the Programme in support of activities during FY 2013/14 and has agreed to contribute annually to end FY 2019/2020. Trustees are extremely grateful to DfID for this support, which recognises the excellent value for money provided by the Trust when undertaking water and sanitation projects. This will enable the Trust to sustain activity levels in support of 80 rural water and sanitation projects per annum.

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

#### **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 carried out under demanding conditions.

The staff and the administrative costs of the GWS continue to be met in large part by the MOD via the 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 2013/14 a grant of £1,231,000 was paid by the MOD, with the shortfall of £772,000 being met by Trust general funds.

#### **UK: Support to Ex-Gurkhas**

In early 2010, against a backcloth of changes to the immigration arrangements for ex-Gurkhas, the Trust as the lead Gurkha charity established a Gurkha Welfare Advice Centre (GWAC) 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 the 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 the 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 Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

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 the 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 the UK makes an annual welfare grant to ABF – The Soldiers' Charity as the lead Army charity. In 2013/14 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 in FY 2012/13 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 are distributed on the Trust's behalf by the Burma Forces Welfare Association. The need for a further grant will be reviewed in FY 2017/18.

#### **(4c) Financial Review**

##### **Incoming Resources**

During the period the Trust received an income from all sources of £14,940,000, an increase of 17% over the previous year. This total included grants of £1,231,000 from MOD and £1,250,000 from DfID.

Donations from individuals, companies, trusts and other organisations totalled £4,787,000 (£4,265,000 in FY 2012/13). 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 £390,000 in support of the Trust's programmes.

Other notable donations include £247,000 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 £5,691,000, a 44% increase on the previous year due to a particularly generous bequest from Lady MacFadzean.

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 £8,885,000, which represented 84% of total expenditure £10,516,000. In addition the Trust has also invested a further £2,303,000 against the welfare pension liability. The majority of the charitable expenditure was used to sustain nearly 7,000 welfare pensioners who remain entirely dependent on the Trust for support. Their plight remains a concern to the Trust as many of them enter the final years of their lives. Trustees are 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.

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

The cost of expenditure in Nepal was reduced significantly this year by a 16% movement in the average rate of exchange when compared with the previous year. This cost saving, well in excess of the rate of inflation in Nepal of 9.5%, is exceptional and is unlikely to be repeated as in the past few years the movement in the rate of exchange has ranged from -5.7% to + 10.3% and therefore usually fails to compensate for the increased costs we incur due to Nepali inflation. The actual expenditure in Nepal increased by 15.9% compared to last year when measured in Nepali Rupees.

#### **UK Fundraising Costs**

In FY 2012/13 Trustees agreed the re-structuring of the Trust's fundraising staff not only to develop existing fundraising activities but also to open new programmes, specifically those associated with grant-making trusts and major donors. This process was completed in December 2012 and ensured the Trust remained well-placed to tackle the demands of both the current and future fundraising environments.

The fundraising income of over £11,095,000 against expenditure of £1,202,000 represents a return of £9.23 for every £1 spent so the cost of fundraising is only 10.8% of fundraising income. 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 £140,000 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**

The 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.

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 £1,364,000 (2012/13: £1,233,000). The Trust also achieved realised and unrealised gains of £1,334,000 (2012/13: £4,662,000) and Investment Management costs were £209,000 (2012/13: £184,000).

# **The Gurkha Welfare Trust**

## **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

### **(4d) 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.

Key risks that confront the Trust are political and social uncertainty in Nepal as it continues to recover from the recent Maoist insurgency, and any activity that jeopardises the Trust's reputation. The Trustees review all 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:

- **Grant Funding Risk.** The Trust negotiates grants awarded to finance its activities and incorporates this information into its annual business plans.
- **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 up to 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.

## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

#### **(4e) Reserves Policy**

Based on the risk assessment the Trust manages its resources to:

- Enable the Trust to fulfil its 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.
- 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.

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. The Constructive Obligation as at 30 June 2014 was £36,632,000 based on a rate of exchange of NPR161.70/£1. This represents an increase of £2,303,000 over the previous year when the rate of exchange was NPR 142.68/£1 and reflects a reassessment in assumed pension inflation from 6% to 8% and a better understanding of the beneficiary profile to support the assumptions.

The Trust 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.



## **The Gurkha Welfare Trust**

### **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

After taking the Constructive Obligation into account the Trust's free reserves, which exclude tangible fixed assets, amount to £7,260,000 as at 30 June 2014 (2012/13: £6,072,000). This represents just over 8 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.

#### **(4f) Designated Funds**

The Trust holds designated funds totalling £8,342,000 (2012/13: £6,378,000) as at 30<sup>th</sup> June 2014. 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.

#### **(4g) Future Plans**

The Trust's Strategy Review 2015 will address the balance of activities between relief and development. However, for the immediate future Trustees wish to ensure the ageing cadre of welfare pensioners receive both appropriate and timely support beyond that currently provided. The 200<sup>th</sup> anniversary of Gurkha service in 2015 provides a unique opportunity to generate the additional funds necessary to allow an increase in the level of medical and other support, to include:

- A commitment to increase the level of welfare pension at least in line with Nepal's rate of inflation, currently 10%, and ideally well above.
- To establish up to 12 mobile doctors to support a medical outreach programme for those welfare pensioners unable to travel to the Trust's AWCs for medical support.
- To recruit up to 12 District Nurses in support of the mobile doctors to deliver medical and pastoral support.
- To recruit and train a cadre of carers, many of whom will be family members, to provide the daily support required by those welfare pensioners who are infirm and/or bed-ridden.
- To ensure our AWCs are able to provide the very best care, delivered promptly and with the support of Nepal's improving medical infrastructure.
- To enhance the capability of some AWCs by the establishment of a pathology facility to enable on site testing.
- To enhance the capability of Trust medical camps by the provision of additional facilities.

In addition to providing enhanced individual aid, Trustees intend to develop further activities in support of community aid:

- Using funds provided by DfID Trustees, intend to increase the number of water and sanitation projects completed annually from its current level of 64 to 80.
- To develop a new model for providing education facilities in the hill communities via the increased construction of schools in support of primary and secondary education, nursery schools and libraries.

# **The Gurkha Welfare Trust**

## **Trustees' Report for the Year ended 30<sup>th</sup> June 2014**

### **(5) 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.

### **(6) Auditors**

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

In approving this Trustees' Report, the Board are also approving the Strategic Report included here in their capacity as company directors.

On behalf of the Trustees.



Sir Peter Wall  
Chairman

7 November 2014

# 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 2014, which comprise Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 18 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.

We have been appointed auditor under the Companies Act 2006. 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 30 June 2014 and of the group's and the parent charitable company's incoming resources and application of resources, including the 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.

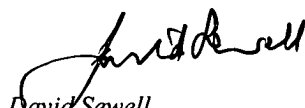
## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report incorporating the Strategic 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:

- the charitable company and group have not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the consolidated charitable company 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.

  
David Sewell  
for and on behalf of haysmacintyre, Statutory Auditor

11 November 2014

26 Red Lion Square  
London  
WC1R 4AG

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

# The Gurkha Welfare Trust

## Consolidated Statement of Financial Activities for year ended 30th June 2014

		Unrestricted		Restricted	2013/14	2012/13
		General	Designated		Total	Total
Incoming resources	Notes	£000	£000	£000	£000	£000
<i>Incoming resources from generated funds</i>						
<i>Voluntary income</i>						
Donations	3a	2,389	0	2,398	<b>4,787</b>	4,265
Legacies	3b	4,013	1,660	18	<b>5,691</b>	3,959
Government grants:	3c					
Ministry of Defence		0	0	1,231	<b>1,231</b>	1,201
Department for International Development		0	0	1,250	<b>1,250</b>	1,330
Investment income	3d					
Investments		1,364	0	0	<b>1,364</b>	1,233
<i>Activities for generating funds</i>						
Fundraising events	3e	617	0	0	<b>617</b>	815
Income from GWT Trading		0	0	0	<b>0</b>	1
<b>Total incoming resources</b>		<b>8,383</b>	<b>1,660</b>	<b>4,897</b>	<b>14,940</b>	<b>12,804</b>
<b>Resources expended</b>						
<i>Cost of generating funds</i>						
Fundraising costs	4e	1,197	0	5	<b>1,202</b>	1,190
Investment management costs	4e	209	0	0	<b>209</b>	184
<i>Direct charitable activities</i>						
Individual aid	4a	2,185	0	2,869	<b>5,054</b>	5,181
Medical aid	4b	1,273	0	416	<b>1,689</b>	1,611
Residential Homes	4c	6	0	343	<b>349</b>	218
Community aid	4d	247	0	1,546	<b>1,793</b>	1,463
Governance costs	4f&5	220	0	0	<b>220</b>	209
<b>Total resources expended</b>		<b>5,337</b>	<b>0</b>	<b>5,179</b>	<b>10,516</b>	<b>10,056</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>3,046</b>	<b>1,660</b>	<b>(282)</b>	<b>4,424</b>	<b>2,748</b>
Transfers between funds	14&15	(277)	304	(27)	<b>0</b>	0
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>		<b>2,769</b>	<b>1,964</b>	<b>(309)</b>	<b>4,424</b>	<b>2,748</b>
<i>Net realised gain/(loss) on investment assets</i>	8	285	0	0	<b>285</b>	75
<i>Net unrealised gain/(loss) on investment assets</i>	8	1,049	0	0	<b>1,049</b>	4,587
<i>Movement in constructive obligation</i>	12	(2,303)	0	0	<b>(2,303)</b>	(11,511)
<b>Net movement in funds</b>		<b>1,800</b>	<b>1,964</b>	<b>(309)</b>	<b>3,455</b>	<b>(4,101)</b>
<b>Funds brought forward</b>		<b>7,306</b>	<b>6,378</b>	<b>745</b>	<b>14,429</b>	<b>18,530</b>
<b>Total charity funds</b>	13-15	<b>9,106</b>	<b>8,342</b>	<b>436</b>	<b>17,884</b>	<b>14,429</b>

### NOTES

The consolidated statement of financial activities includes the income and expenditure account.

There are no gains or 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: £2,406,000

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 30th June 2014

	Notes	Group		Charity	
		2014 £000	2013 £000	2014 £000	2013 £000
<b>Fixed assets:</b>					
Tangible assets	7	1,846	1,234	1,846	1,234
Investments	8	49,772	42,956	49,772	42,956
		<u>51,618</u>	<u>44,190</u>	<u>51,618</u>	<u>44,190</u>
<b>Current assets</b>					
Debtors	9	429	121	433	121
Medication & project stock		190	163	190	163
Cash		4,166	5,786	4,161	5,786
		<u>4,785</u>	<u>6,070</u>	<u>4,784</u>	<u>6,070</u>
<b>Current liabilities</b>					
Creditors falling due within one year	10	(661)	(314)	(660)	(314)
Provision for liabilities and charges					
Constructive obligation (welfare pensions)	12				
Falling due within one year		(2,844)	(3,140)	(2,844)	(3,140)
		<u>1,280</u>	<u>2,616</u>	<u>1,280</u>	<u>2,616</u>
<b>Net current assets</b>					
Amounts falling due after more than one year					
Gratuity commitments	11	(1,226)	(1,188)	(1,226)	(1,188)
Provision for liabilities and charges					
Constructive obligation (welfare pensions)	12				
Falling due after more than one year		(33,788)	(31,189)	(33,788)	(31,189)
		<u>17,884</u>	<u>14,429</u>	<u>17,884</u>	<u>14,429</u>
<b>Net assets</b>					
<b>The funds of the charity:</b>					
Restricted funds	13 & 15	436	745	436	745
Unrestricted funds					
Net General funds	12 - 14	9,106	7,306	9,106	7,306
Designated	13 & 14	8,342	6,378	8,342	6,378
		<u>17,448</u>	<u>13,684</u>	<u>17,448</u>	<u>13,684</u>
<b>Unrestricted funds after provision for liabilities and charges</b>					
<b>Total charity funds</b>	13	<u>17,884</u>	<u>14,429</u>	<u>17,884</u>	<u>14,429</u>

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

Approved and authorised for issue by the Board of Trustees on 7th November 2014 and signed on their behalf by



Sir Peter Wall  
Chairman

7 November 2014

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

# The Gurkha Welfare Trust

## Consolidated cash flow statement for the year ended 30th June 2014

	Notes	2013/14	2012/13
	below	£000	£000
<b>Operating cash flow</b>			
Net cash inflow / (outflow) from operating activities	(a)	1,630	1,975
<b>Investing cash flow</b>			
Investment income		1,364	1,233
<b>Financing cash flow</b>			
Purchase of tangible assets		(792)	(469)
Purchase of investments		(7,949)	(9,365)
Proceeds from sale of investments		6,139	5,852
<b>Net cash flow before management of liquid resources</b>		392	(774)
Cash (added) / deducted from short term deposits	(b)	(2,012)	2,798
<b>(Decrease) / Increase in cash in the year</b>		(1,620)	2,024
Net cash resources at 1 July 2013		5,786	3,762
<b>Net cash resources at 30 June 2014</b>	(b)	4,166	5,786
(excluding cash and short term deposits held as part of investment portfolio)			

### Notes:

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

Net incoming / (outgoing) resources	4,424	2,748
Depreciation	180	101
(Increase) / Decrease in debtors	(308)	117
(Increase) / Decrease in stocks	(27)	(20)
Increase / (Decrease) in creditors & accruals	385	262
Investment income received	(1,364)	(1,233)
Investments donated by legacy	(1,660)	0
	1,630	1,975

#### (b) Analysis of net funds

	30 Jun 2014 £000	30 Jun 2013 £000	Cash flow in year £000
Cash	4,166	5,786	(1,620)
Cash and short term deposits held as part of investment portfolio	4,691	2,679	2,012
	8,857	8,465	392

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<sup>th</sup> June 2014**

### **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<sup>th</sup> June 2014. 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 £14,940,000. Net incoming/(outgoing) resources after realised/unrealised gains and losses on investments and other obligations amounted to £3,456,000 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 30<sup>th</sup> June 2014 (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 AWCs 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.

*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<sup>th</sup> June 2014 (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. Land, beneficially owned by the Trust, is valued at historical cost and is not depreciated.

### (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.

	2013/14	2012/13
<b>a. Donations</b>	<b>£000</b>	<b>£000</b>
Donations from individuals	4,021	3,561
Donations from companies, trusts, clubs and organisations	766	704
	<u>4,787</u>	<u>4,265</u>
<b>b. Legacies</b>	<b>5,691</b>	<b>3,959</b>
<b>c. Grant income</b>		
Ministry of Defence - to support operating costs in Nepal	1,231	1,201
DfID - for water and sanitation projects in remote locations	1,250	1,330
<b>d. Investment income</b>		
Investment income & bank interest	1,364	1,233
<b>e. Activities for generating funds</b>		
Fundraising events	617	815
GWT Trading Ltd	0	1

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)

Donations from individuals include contributions under the 'One Day Pay Scheme' of £247,000 (2012/13: £341,000) made by all ranks of the Brigade of Gurkhas (including Nepali contract civilians) and the Gurkha Contingent of the Singapore Police, who also qualify for support from the Trust.

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

The Trust has benefited from an exceptional legacy from Lady McFadzean with £1,660,000 having been received in 2013-14.

<b>4. Expenditure</b>	Direct costs	Other direct costs	Support costs	<b>2013/14 Totals</b>	<b>2012/13 Totals</b>
	£000	£000	£000	£000	£000
<b><i>a. Individual aid</i></b>					
Welfare pensions	3,095	821	201	<b>4,117</b>	4,323
Care for the elderly	30	0	0	<b>30</b>	0
Disability support	80	22	5	<b>107</b>	99
Winter allowance	74	23	2	<b>99</b>	98
Welfare grants & support	143	84	12	<b>239</b>	137
Education grants	3	0	0	<b>3</b>	47
UK welfare	411	0	48	<b>459</b>	477
<b>Total individual aid</b>	<b>3,836</b>	<b>950</b>	<b>268</b>	<b>5,054</b>	<b>5,181</b>
<b><i>b. Medical aid</i></b>	<b>1,118</b>	<b>517</b>	<b>54</b>	<b>1,689</b>	<b>1,611</b>
<b><i>c. Residential homes</i></b>	<b>297</b>	<b>30</b>	<b>22</b>	<b>349</b>	<b>218</b>
<b><i>d. Community aid</i></b>					
Schools projects	182	182	28	<b>392</b>	285
Water projects	1,401	0	0	<b>1,401</b>	1,178
<b>Total community aid</b>	<b>1,583</b>	<b>182</b>	<b>28</b>	<b>1,793</b>	<b>1,463</b>
<b>Charitable activities total</b>	<b>6,834</b>	<b>1,679</b>	<b>372</b>	<b>8,885</b>	<b>8,473</b>
<b><i>e. Cost of generating funds</i></b>					
Fundraising	737	0	465	<b>1,202</b>	1,190
Investment management	200	0	9	<b>209</b>	184
<b>Total cost of generating funds</b>	<b>938</b>	<b>0</b>	<b>473</b>	<b>1,411</b>	<b>1,374</b>
<b><i>f. Governance</i></b>	<b>51</b>	<b>0</b>	<b>169</b>	<b>220</b>	<b>209</b>
<b>Total</b>	<b>7,822</b>	<b>1,679</b>	<b>1,015</b>	<b>10,516</b>	<b>10,056</b>

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (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 £260,000. The total charitable activity cost of £8,885,000 represents 84% of total expenditure.

### 5. Costs of generating funds and governance

	Costs of Generating Funds		Governance	2013/14	2012/13
	Fundraising	Investment Management		Total	Total
	£000	£000	£000	£000	£000
<i>Staff costs</i>	318	7	118	443	469
<i>Training &amp; other costs</i>	26	2	24	52	58
<i>Premises costs</i>	50	0	15	65	67
<i>Office services</i>	45	0	12	57	67
<i>Legal &amp; professional</i>	26	200	51	277	236
<i>Appeals &amp; advertising</i>	737	0	0	737	686
	<u>1,202</u>	<u>209</u>	<u>220</u>	<u>1,631</u>	<u>1,583</u>

### 6. Staff, trustee and governance costs

#### a. Staff numbers

The Trust employs the following full time equivalent staff:

		2013/14	2012/13
UK:	Administration and fundraising	10	10
	Welfare	5	5
Nepal:	Individual aid and general staff	191	174
	Water projects	101	84
	Schools projects	3	3

#### b. Staff costs

		2013/14	2012/13
		£000	£000
UK:	Salaries	533	545
	Social security costs	57	58
	Pension	39	39
		<u>629</u>	<u>642</u>
Nepal:	Salaries & benefits incl. retirement gratuity	2,131	2,381
		<u>2,760</u>	<u>3,022</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 £13,000 (2012/13: £7,000). Temporary staff are employed by the Trust to assist during appeals.

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)

### c. Trustees' expenses and remuneration

In 2013/14 no Trustee received any remuneration or pension but five Trustees were either reimbursed or expenses were paid on their behalf of £17,997 principally on travel to Nepal but also in respect of attendance at meetings at the GWT Salisbury office, in London and Nepal, (2012/13: eight Trustees were either reimbursed or expenses were paid on their behalf of £17,023).

An employee, Alexander Pope is the son of a trustee, who was not involved in his appointment or remuneration. The appointment was approved by the Charity Commission.

### d. Net expenditure

Net expenditure for the period is stated after charging:			2013/14	2012/13
			£000	£000
Audit fees,	UK excluding VAT	haysmacintyre - audit	21	20
		- other	5	5
	Nepal	CSC & Co - audit	8	8
Actuarial fees			3	2
Trustee indemnity insurance			2	2
Operating lease payments (rent)	UK		56	55
	Nepal		11	12

### e. Charity Lease commitments

At 30 June 2014 the charity had annual commitments under non-negotiable operating leases as follows:

			2013/14	2012/13
			£000	£000
Expiring:	Property			
	Within 2 to 5 years	Nepal	4	7
		UK	75	74

## 7. Movement of Tangible Fixed Assets, Group and Charity

	Vehicles & Equipment £000	Land & Buildings £000	Computer Software £000	2013/14 Total £000
<b>Cost</b>				
At 1 July 2013	280	1,317	14	1,611
Additions	88	701	3	792
At 30 June 2014	<u>368</u>	<u>2,018</u>	<u>17</u>	<u>2,403</u>
<b>Depreciation</b>				
At 1 July 2013	(222)	(150)	(5)	(377)
Change for year	(48)	(126)	(6)	(180)
At 30 June 2014	<u>(270)</u>	<u>(276)</u>	<u>(11)</u>	<u>(557)</u>
<b>Net Book Value</b>				
At 1 July 2013	58	1,167	9	1,234
At 30 June 2014	<u>98</u>	<u>1,742</u>	<u>6</u>	<u>1,846</u>

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)

### 8. Investments

The historical cost of investments at 30<sup>th</sup> June 2014 (including investment cash) was £42,413,000 (2013: £36,646,000). 88% of the investment assets are placed in a mixed portfolio of thematic funds including 5% in Odey OEI MAC Inc. £B Class.

Major movements in investments during the year were:	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Opening market value (excl. Cash)	<b>40,277</b>	32,102
Purchases	<b>7,949</b>	9,365
Disposal proceeds	<b>(6,139)</b>	(5,852)
Realised gains/(losses)	<b>285</b>	75
Unrealised gains/(losses)	<b>1,049</b>	4,587
Investments donated	<b>1,660</b>	0
Closing market value (excl. Cash)	<b>45,081</b>	40,277
 Listed investments	 <b>2013/14</b>	 <b>2012/13</b>
<i>Fixed interest</i>	<b>£000</b>	<b>£000</b>
UK	<b>4,458</b>	4,896
Overseas	<b>1,414</b>	1,218
<i>Equities</i>		
UK	<b>11,719</b>	10,762
Europe	<b>491</b>	455
Americas	<b>990</b>	897
Emerging Markets	<b>1,444</b>	1,410
Alternative investments	<b>5,828</b>	5,686
Other Overseas/Non Specific Region	<b>16,309</b>	13,309
 <i>Property</i>	 <b>2,428</b>	 1,644
	<b>45,081</b>	40,277
Cash held as part of investment portfolio	<b>4,691</b>	2,679
	<b>49,772</b>	42,956

### Investments over 5%

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

Sarasin Sterling Bond - I Inc:	£2,869,000
Sarasin Charity - Thematic UK Equity (GBP) - X Inc:	£5,944,000
Sarasin Equisar - UK Thematic Opportunities - I Inc:	£5,775,000
Sarasin Equisar – Global Thematic – I Inc	£7,265,000
Sarasin Global Dividend – I Inc	£2,612,000
Sarasin Global Higher Dividend – I Inc	£5,940,000

### 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 £5,177 turnover for the year (2012/13: £ 597) and the net surplus of £4,406 was donated to the GWT (2012/13: £177). Net assets at 30<sup>th</sup> June 2014 were £2 (2013:£2).

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)

9. Debtors	Group		Charity	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Prepayments	67	104	67	104
Other debtors	362	17	362	17
Intercompany balances	0	0	4	0
	<u>429</u>	<u>121</u>	<u>433</u>	<u>121</u>

10. Creditors	Group		Charity	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Taxation & social security	0	20	0	20
Deferred income	500	0	500	0
Other creditors and accruals	161	294	160	294
	<u>661</u>	<u>314</u>	<u>660</u>	<u>314</u>

The deferred income is a donation towards the development of a third residential home.

### 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 2013/14 were £39,000 (2012/13: £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 £1,226,000. (2012/13: £1,188,000). The Provident Fund is held by the Gurkha Welfare Scheme Staff Retirement Benefit Fund, an independent body.

### 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 welfare pensions for 2014-15, NPRs 84,000 per annum (69,600 per annum in 2013-14), will increase with inflation at 8% over the long term (6% in 2012-13).
- An estimated number of 6,899 welfare pensioners (2012/13: 7,630) with an average age of 77.9.
- 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.
- An estimated 1,662 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. No provision has been made due to lack of sufficient information.

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)

- Future payments have been discounted at 8% pa (2012/13: 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 161.70 / £1, (2012/13: NPRs 142.68 / £1) that applied on 30<sup>th</sup> June 2014 the value of the obligation was **£36,632,000**. This is an increase of £2,303,000 on the figure for 2012/13 of £34,329,000.

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

	Unrestricted funds £000	Restricted funds £000	Total £000
<i>Tangible assets</i>	1,846	0	<b>1,846</b>
<i>Investments</i>	49,772	0	<b>49,772</b>
<i>Current assets</i>	4,349	436	<b>4,785</b>
<i>Current liabilities</i>	(661)	0	<b>(661)</b>
<i>Gratuity commitments</i>	(1,226)	0	<b>(1,226)</b>
<i>Constructive obligations</i>	(36,632)	0	<b>(36,632)</b>
	<u>17,448</u>	<u>436</u>	<u><b>17,884</b></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 2013 £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 2014 £000
<b>Designated funds</b>						
<i>Residential homes</i>	6,378	1,660	0	304	0	8,342
<b>Total designated funds</b>	6,378	1,660	0	304	0	8,342
<b>General funds</b>	7,306	8,383	(5,337)	1,057	(2,303)	9,106
<b>Total unrestricted funds</b>	<u>13,684</u>	<u>10,043</u>	<u>(5,337)</u>	<u>1,361</u>	<u>(2,303)</u>	<u>17,448</u>

An unrestricted legacy has been left to the GWT, which was prompted by, but not restricted to the residential homes programme. In 2013-14 £1,660,000 was received from this legacy, which the Trustees designated for costs relating to the residential homes.

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 transfer of £304,000 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.

# The Gurkha Welfare Trust

## Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)

### 15. Restricted funds of the charity

	Balance at 1 July 2013 £000	Incoming resources in the year £000	Outgoing resources in the year £000	Transfers between funds £000	Balance at 30 June 2014 £000
<b>a. Grants to individuals:</b>					
Welfare pensions	0	1,911	1,911	0	0
GWA (Canada) grant	0	123	123	0	0
Winter allowance	3	70	73	0	0
Education	0	3	3	0	0
General individual aid	0	1	1	0	0
	3	2,108	2,111	0	0
Gurkha 200 Appeal	0	100	0	0	100
Medical	0	11	11	0	0
	3	2,219	2,122	0	100
<b>b. Residential homes:</b>					
Kaski Running Costs	0	21	21	0	0
Dharan Build	25	2	0	(27)	0
RH general	462	98	320	0	240
	487	121	341	(27)	240
<b>c. Water projects:</b>					
Water projects - DfID	149	1,250	1,399	0	0
Water projects - other	6	2	6	0	2
	155	1,252	1,405	0	2
<b>d. Schools projects:</b>					
Neal Turkington Fund	81	6	0	0	87
Schools	0	8	8	0	0
	81	14	8	0	87
<b>e. Other grants:</b>					
MOD	0	1,231	1,231	0	0
KAAA	0	47	47	0	0
Dir GWS Discretionary Fund	19	0	19	0	0
Adrian Griffith Fund	0	1	1	0	0
Neil Griffiths Fund	0	7	0	0	7
Samachara	0	5	5	0	0
	745	4,897	5,179	(27)	436

A transfer from the Dharan Residential Home Building Fund to General Funds of £27,000 has been posted to the SOFA for expenditure on the building during the year.



# **The Gurkha Welfare Trust**

## **Notes to the Accounts for the Year ended 30<sup>th</sup> June 2014 (continued)**

### ***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.

### ***b. Residential homes***

The residential homes general fund contains donations received where the donors has specified that their donations are to be used for the residential homes programme..

### ***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.

## **16. Contingent Asset**

A donation of £500,000 from the Michael Uren Foundation towards the cost of a third residential home in the Kathmandu valley has been received subject to certain conditions. Whilst it is considered probable that these conditions will be met, the income has not yet been recognised in the Statement of Financial Activities.