

The Gurkha Welfare Trust Annual Report and Accounts Year ended 30th June 2017

Company Limited by Guarantee Number: 05098581
Registered Charity Number: 1103669



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Annual Report and Accounts

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The Gurkha Welfare Trust
PO Box 2170
22 Queen Street
Salisbury, SP2 2EX

www.gwt.org.uk
01722 323 955
info@gwt.org.uk

Photo credits:

P1, 37, 40 Johnny Fenn
P5, 11, 44 Saraya Cortaville
P6 Robert Hollingsworth
P12, 21, 25, 29, 50 The Gurkha Welfare Trust
P17 Piers Hutt

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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 2015 and the Companies Act 2006.

Structure, Governance and Management

TRUST STRUCTURE

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 22 Area Welfare Centres (AWCs) sited in key locations throughout areas of traditional Gurkha recruitment. These AWCs provide the platform for the delivery of all Trust welfare programmes as well as providing a visible footprint across the country to Gurkha communities that the Trust has a permanent presence to support them. They also enable the Trust’s Area Welfare Officers (AWOs) and their supporting staff to respond swiftly to applications for welfare support and react quickly to situations such as natural disaster.

In UK the Gurkha Welfare Advice Centre, Salisbury (GWAC) provides advice on statutory entitlements

and guidance on welfare support available to ex-Gurkhas who find themselves in need. A subsidiary office is located at Aldershot in support of a major concentration of ex-Gurkha settlement.

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

TRUST GOVERNANCE

The Trust was established by Trust deed in November 1969 for the relief of hardship and distress among Gurkha ex-servicemen of the British Crown and their dependants. 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 development and execution of Trust policies is the responsibility of a Board of Trustees that meets three times each year. Their agenda has been supported by a number of subordinate committees that consider investment, governance, audit and finance matters. The Board of Trustees is responsible for setting the strategic aims of the Trust.

The Finance Committee, a sub-committee of the Board with approval to make decisions on the full Board’s behalf is, among other responsibilities, tasked with setting salary levels of key

personnel. The criteria for setting these salary levels is through benchmarking with equivalent roles in the wider industry.

KEY MANAGEMENT PERSONNEL

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 Scheme and the Gurkha Welfare Advice Centre.

The Director of the GWS is responsible to the trustees for the effective and efficient delivery of welfare support in Nepal in accordance with Trust policies.

The Field Director of the GWS in Nepal is responsible for daily operational management of the GWS and implementing welfare support in accordance with Trust policies.

The Deputy Director Earthquake Response Team (EQRT) & Plans in Nepal is responsible for daily operational management of the Trust’s earthquake reconstruction and future disaster mitigation plan.

The Head of Fundraising (previously Director of Fundraising & Marketing) leads the fundraising team.



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 hydro-electricity projects.

The Trust builds rural 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 towards staff and administration costs of the GWS in support of welfare delivery. This enhances value for money for donors as it allows, in conjunction with investment income, all donations to be spent directly on welfare projects.

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

PUBLIC BENEFIT

The trustees have given due regard to the Charity Commission's guidance on reporting public benefit when planning the charity's activities and are satisfied that the Trust is

fully compliant with the Charities Act 2011.

OBJECTS AND ACTIVITIES

The Trust's vision is: "Gurkhas living their lives with dignity". Welfare support is delivered against the following priorities:

- The provision of a welfare pension.
- The provision of welfare/emergency grants.
- The provision of medical support.
- The provision of water and sanitation.
- The running of two residential homes.
- The provision of education facilities.

The Trust raises funds in support of welfare programmes involving individuals and communities in Nepal and also in an advisory capacity in support of ex-Gurkhas in UK. The Trust's objects are:

- 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 promote the education of Gurkhas, 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.



The Strategic Report

TRUST STRATEGY

The Trust defines its priorities in five-yearly increments, setting parameters within which the Trust can respond to the needs of ex-servicemen. The current five-year strategy outlook defines the Trust's activities until 2020.

For this year several priorities were established:

- **Implementation of contractual engagement with International SOS to professionalise the Trust's medical provision for pensioners in Nepal.**

Action taken:

A contract was signed with International SOS in December 2016 following which three subject specialists deployed to Nepal to co-locate with HQ GWS for a two-year period.

- **Continue projects in support of individual welfare and service pensioners as well as communities affected by the earthquakes.**

Action taken:

The majority of individual home reconstruction has been completed and

community rebuilding projects such as schools and community centres continue.

- **Implementation of a wholesale MODernisation programme to ensure that welfare support in the 21st century best reflects the evolving needs of our principal beneficiary demographic.**

Action taken:

A detailed MODernisation programme has been instigated by HQ GWS which is being overseen by a subordinate working group headed by a trustee and responsible to the Board of Trustees.

- **Assess and develop the future disaster response strategy in Nepal.**

Action taken:

As part of a programme of increasing awareness, Professor Dave Petley of Sheffield University gave trustees a presentation on the earthquake and landslip risks in Nepal on 25 January 2017. A draft disaster preparedness and response plan was produced by Deputy Director EQRT in April 2017. A visit by Dr Naomi Morris, a Teaching Fellow at Portsmouth University and lecturer in Humanitarian Emergency Response and Recovery, took place in August

2017 to refine the plan and advise on wider resources and training requirements.

EARTHQUAKE RESPONSE STRATEGY

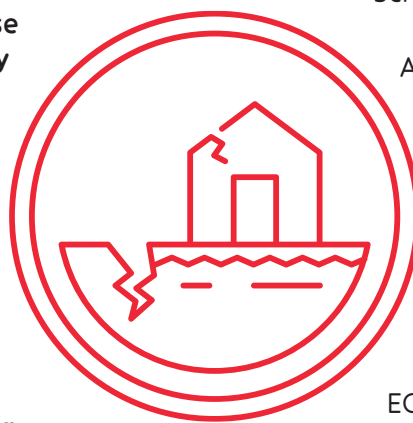
Between 1st July 2016 and 30th June 2017, the expenditure for earthquake response was £2,800,000 (2015/16: £5,642,000). The expenditure has had the following impact since the outset in support of the Trust's aims:

- Service and Welfare Pensioner house rebuilds completed: 986
Under construction: 105
- Service and Welfare Pensioner house repairs completed: 287
Under repair: 48
- School rebuilds completed: 11
- Schools repaired: 72

A final Operation Marmat took place between September and December 2016 consisting of all cap badges of the serving Brigade of Gurkhas. During this deployment, the following was achieved in support of our EQRT objectives:

- Eight-classroom school rebuild: 1
- Service and Welfare Pensioner house rebuilds: 22

The Rural Water & Sanitation Programme (RWSP) arm of the GWS has continued its repairs of projects damaged by the earthquakes.



Achievements and Performance

WELFARE PENSIONS

The provision of a regular income via a welfare pension lies at the heart of the Trust's core objectives. It is key to enabling these ex-servicemen and their widows to live their lives with dignity in a country that has virtually no welfare state and whose economic circumstances are perilous. They are now increasingly aged, unable to provide for themselves and have little other support.



At the beginning of the reporting period there were 5,798 individuals in receipt of a welfare pension from the Trust. During the past 12 months 508 welfare pensioners or their widows have died. Of these 110 were married and their pension has been transferred to their widows; A further 80 new welfare pensions have been awarded to ex-servicemen including 22 former recipients that have returned from UK. 151 welfare pensioners have emigrated to UK under the Government's Gurkha Settlement Programme and four have moved into one of our residential homes. By the end of the reporting period the number of welfare pensioners had reduced to 5,325.

The rate of welfare pension is reviewed annually by trustees. Their discussions are informed

by the cost of a comprehensive basket of goods to provide for a basic standard of living for the individual pensioner and his or her immediate family. In considering any change to the rate trustees also take into account the long-term effect of any increase on Trust finances in general and the need to make long term financial provision for the welfare pension in particular.

For the Financial Year 2017/18 trustees agreed an increase of 5% to the rate of welfare pension from NPR 10,000 to NPR 10,500 per month (NPR 126,000 pa). This increase maintains the rate at 100% of the food basket used to determine a pensioner's monthly requirement for essential items. In the Financial Year 2016/17 the cost of the Welfare Pension programme was £6,143,000 (2015/16: £5,002,000) which represents 32% of total charitable expenditure.

DISABILITY SUPPORT GRANT

In 2008 the trustees directed that those children with a disability of now-deceased Welfare Pensioners should be provided with a Disability Support Grant (DSG) in lieu of the regular welfare pension. The level of DSG would enable the welfare support of the recipients to be directly tailored to the needs of the individual. The number of recipients of the DSG now stands at 220. The cost to the Trust in the Financial Year 2016/17 was £213,000 (2015/16: £159,000).

WELFARE GRANTS

Welfare grants provide immediate relief in the event of a natural or other disaster that affects an individual's ability to sustain themselves and their 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 overwhelming number of grants are for the immediate relief of destitution with the remainder in response to fire, flood and landslide damage. In the current financial year 1,329 (2015/16: 999) welfare grants were awarded at a cost, including welfare support, of £426,000 (2015/16: £226,000).

RESIDENTIAL HOMES

The Trust currently runs two Residential Homes (RHs), one located at the Trust's Area Welfare Centre (AWC) at Kaski, west Nepal and a second located at the Trust's AWC at Dharan, east Nepal. They were constructed



to provide care facilities to those welfare pensioners and their widows who are unable to fend for themselves and who have no immediate family or wider community to provide a reasonable level of daily support and companionship. The annual running costs of both RHs are met by designated funds.

The process of acquiring land to construct a third RH has been deferred. The doubling of the cost of the land exacerbated by an unpredictable economic horizon and a downwards trend in the rate of exchange has influenced this decision. In addition, the prevailing rules for foreign land ownership in Nepal have proved to be particularly challenging for the charity.

MEDICAL

The Trust medical scheme provides primary and secondary levels of medical care to all



Gurkha ex-servicemen and their dependants at a cost of £3,680,000 (2015/16: £2,372,000).

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 through a number of selected hospitals within Nepal.

In 2016/17 the Trust, in conjunction with KAAA, supported six eye/gynaecological/dental camps that treated a total number of 10,514 individuals from the wider community with a direct cost of £69,000. This cost was met in full by KAAA.

In January 2017, a three-person team from International SOS (ISOS) deployed to Nepal on a two-year engagement and are co-located with HQ GWS in Pokhara. The remit is to professionalise

the Trust's existing healthcare provision for its pensioners and is focusing on enhancing primary health care, clinical standards, governance, referrals and claims processing.

As a direct result of the team's assessments two MODEL medical clinics were constructed at our AWCs at Kaski and Gorkha. These provide western standards in primary healthcare. It is the Trust's objective to build this standard of clinic in every key AWC, and in other AWCs on a needs basis.



projects at a cost of £2,896,000 (2015/16: £2,230,000).

A total of 70 new projects were completed ranging from the drilling for

water to the installation of tap stands and latrines in village communities. 12 existing projects underwent major refurbishment and repair. In addition, a further 29 schemes damaged by the earthquakes were repaired, 8 school latrines were installed and 9 drip irrigation projects were completed. A total of 22,923 (2015/16: 21,533) individuals benefited from an accessible potable water supply as a result.

Further statistics of how RWSP has benefitted individuals and communities are as follows:

- Average daily reduction in water fetching time: three hours
- Total latrines built: 2,396 (FY15/16: 2,139)
- Population using latrines built: 59,541 (increasing Open Defecation Free areas)
- Representation of women on water and sanitation management committees (WSMC): 49.4% (FY 15/16: 43.5%)
- Representation of excluded groups in key posts on WSMC: 73.1% (FY 15/16: 58.5%)

SCHOOLS

Education has long been an essential cornerstone of Nepali society, particularly in the middle hills where the Trust is mainly engaged. Construction of schools was increased to incorporate schools damaged as a result of the two earthquakes in April/May 2015.



Between the Disaster Response initiative and the standard programme, a total of 14 new

schools were constructed and a further 225 were refurbished or extended. Some of these schools were constructed in partnership with other agencies including the Neal Turkington Nepal Trust.

Infrastructure and Staff

The staff and administration costs of the GWS continue to be met in large part by the MOD through an annual Grant in Aid (GIA). This has been a long-standing arrangement between the Trust and the MOD whereby the former raises funds to provide welfare, medical and community services and the latter covers the cost of the means of delivery. The MOD also recognises the former's contribution to fulfilling vital tasks on behalf of the serving and retired members of the Brigade of Gurkhas, through its network of staff and AWCs throughout Nepal, by the secondment of a Field Director and Project Engineer and part of the time of the Defence Attaché as Director GWS. These tasks include liaising with family members of serving Gurkha servicemen in compassionate cases.

Following a detailed review of the GWS structure and methods of welfare delivery, a comprehensive programme is being implemented to better meet the changing needs of our ageing pensioner population and their gender demographic (two thirds are widows). At the core of this programme lies greater mobility, delivering all welfare requirements direct to the home.

In UK, the Trust has a Welfare Advice Centre (GWAC) to assist pensioners and their dependants with access problems to welfare and statutory entitlements that arise as a result of linguistic and



cultural hurdles. This centre is co-located with the Trust Headquarters in Salisbury. In addition, the Trust assists another advice centre run by HQ Brigade of Gurkhas (HQBK) in Aldershot, one of the main centres of Gurkha settlement in the UK.

The Trust and both GWACs work closely with local councils, Government departments and other service charities to ensure effective support to ex-servicemen and their dependants. These service charities remain responsible for meeting the cost of any welfare support which enables the Trust to retain its focus on Nepal and those ex-servicemen and their dependants who remain in conditions of very real poverty and distress. However, in recognition of their work supporting the increasing number and complexity of welfare cases in UK the Trust makes an annual welfare grant to ABF – The Soldier's Charity. During this reporting period, the welfare grant was £250,000. The Trust remains extremely grateful for the assistance provided by ABF – The Soldier's Charity and those other organisations that are routinely involved with assisting those arriving from Nepal to settle in UK.

Grants Policy

Welfare Pensions are awarded in cases of destitution to ex Gurkha soldiers who have served in the British Army and their widows who have not qualified by length of service for a pension

paid by the British Government. All cases are investigated by an Area Welfare Officer and are only granted in cases where there is obvious destitution. All cases are re-examined at a time determined at the time of award, but no longer than five years, to ensure that the pension is still required.

Hardship and earthquake related grants are made when the applicant reports, or the hardship case is discovered by a welfare officer. At this stage a form is completed outlining the situation, the status of the applicant and any other relevant details. In the case of a house rebuild, details of land ownership are also captured.

Cases are then determined based on cost. Small grants can be made by the welfare officer, with larger grants requiring department or director signature. Group cases, such as large-scale rebuilding of houses following a natural disaster such as the 2015 earthquake are considered by members of a board who will decide relative merits of cases and allocate appropriate resources within priorities and budget. Hardship Grants are then paid in a way also determined by value. Higher value grants may be made by staging payments according to progress and to standards, with lower value grants made in a single payment. All but extremely low value grants require completion reports detailing exact expenditure with a suitable audit trail of invoices.

A Home Care Allowance is awarded to those who support our most vulnerable pensioners, who are unable to look after





themselves or even to get out of bed. The allowance is made to a member of the family or an acquaintance who will then look after the pensioner, manage their medical condition and ensure that they eat properly. Allowances are only granted once case specific training has been received and regular visits are made to ensure the 'home carer' is discharging their duties appropriately. Such allowances are reviewed when the pensioner is reviewed.

Fundraising Policy

In order to comply with best fundraising practice and the new GDPR regulations we have taken the following steps:

- We have paid the levy to join The Fundraising Regulator and promote our association

and compliance with their guidance on our website.

- We have joined up with the newly formed Fundraising Preference Service and ensure nobody is contacted who registers with them and requests no contact from us.
- We only telephone or email people who have given us explicit consent to do so. With direct mail, we are using the ICO guidelines around 'legitimate consent' when contacting supporters.
- We do not share supporter details with any other organisation for marketing or fundraising purposes.
- We update donor details on our database according to



their wishes and are ensuring that our database is fully GDPR compliant.

- We have a procedure for logging complaints on our database.
- All staff have ongoing training on Data Protection.
- We have updated our privacy policy to comply with ICO guidance and will be making further changes following a recent seminar held by The Business Forum on how to comply with data protection.
- In compliance with data protection we do not wealth screen.
- We only share donor data with our donation processing partners and printers and we take every measure to ensure data is transferred securely via encryption and passwords and to secure servers.

Financial Review

INCOME

Trust income from all sources during the financial year 2016/17 was £19,711,000 (2015/16: £20,361,000).

Donations from individuals, companies, trusts and other organisations totalled £7,830,000 (2015/16: £7,302,000).

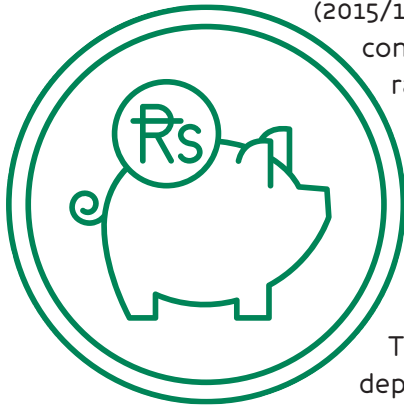
Trailwalker, an annual fundraising event on behalf of the Trust, coordinated by the Queen's Gurkha Signals Regiment in conjunction with OXFAM, raised £244,000 (2015/16: £267,000) in support of the Trust's programmes.

Other notable donations include £283,000 (2015/16: £208,000) contributed by all ranks of the Brigade of Gurkhas and the Gurkha Contingent of the Singapore Police Force under the Service Day's Pay Giving scheme. The Trust's volunteer regional branches continue to pro-actively raise funds for the Trust totalling £91,000. Legacy income totalled £4,200,000 (2015/16: £5,693,000).

EXPENDITURE

Charitable expenditure totalled £18,907,000 (2015/16: £17,958,000). This is 89% of total expenditure of £21,059,000 (2015/16: £19,848,000). Our

cost of raising funds including investment management is £2,152,000 which is more than covered by our investment income of £2,538,000 so every penny of donated income is spent on charitable activity. Fundraising expenditure of £1,827,000 (2015/16: £1,625,000)



continues to be effective raising income of £12,598,000 (2015/16: £14,044,000). This represents a Return on Investment of £6.90 for every £1 spent (2014/15: £8.56). The rate of return is dependent on the sources of income as some sources of income have high costs associated with them while others, such as legacy income, have much lower costs. This year the rate of return has reduced due to a reduction in legacy income but it remains well above industry standards. This expenditure is planned to continue until the level of reserves considered appropriate by the trustees has been achieved after completing the earthquake response programme.

RESERVES

The charity's balance sheet is strong with designated funds established sufficient to cover the future running costs of the residential homes. We have assets that show that we can currently meet the future obligation of providing the welfare pensions and disability support grants, but we have not completed our work in response to the earthquakes. Once this work is completed we will need to rebuild our reserves

to provide greater resilience to meet future challenges. Further information on page 15.

INVESTMENT POLICY AND PERFORMANCE

The Trust's investments are split between a long-term investment portfolio, a medium-term investment portfolio and two smaller funds invested in alternative investments and smaller companies. The purpose of the two main portfolios is to delineate the Trust's requirements between monies that are held as an immediate reserve (c. 18 months) and truly long-term monies which can weather capital volatility and have a five-seven year time horizon. The medium-term portfolio is seeking a return that is better than cash (three month LIBOR) and over the last 12 months to 30th June produced a return of 5.1% compared to the benchmark of 0.4%. The long-term portfolio is seeking a return that is better than both a composite benchmark (a composition of indices) and an inflation plus target (CPI + 4%). Over the past 12 months the long-term portfolio returned 15.1%, matching the benchmark of 15.1%.

INVESTMENT RISK

- THE RISKS AND

HOW WE MITIGATE

THESE THROUGH

OUR INVESTMENT

STRATEGY

Investment risk covers a number of different areas and the investment committee, on behalf of the trustees, has reviewed the internal procedures as well as the investment process of their fund manager in order to ensure that all of the industry safeguards are in place. The investment committee has guarded against two main areas of risk.

The first is to ensure that the cash flow from the UK to Nepal does not have a detrimental impact upon the investments held within the portfolio and this has led to the setting up of the medium-term portfolio.

The second investment risk is the recognition that the MOD's grant in aid and the Trust's fundraising activities are in a different currency (sterling) to the recipient beneficiaries (Nepali Rupee – NPR). It is difficult to mitigate this risk as there are few investments that can be made in Nepal and the NPR had been in decline against sterling for some time until it recently reversed. The solution has been to keep some monies in Nepal (in NPR) and to move a proportion of both the long and medium-term portfolios into USD and the Indian Rupee. There is also a large weighting of overseas

equities and bonds within the long-term portfolio.

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 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.

Principal Risks and Uncertainties

A. OPERATIONAL

RISKS

Operational risks that confront the Trust are the result of:

- **Ongoing political and social uncertainty in Nepal.** Nepal is currently in the midst of political development that included the first local elections in 20 years being

held in May and June 2016. While these passed without major incident or disruption further national elections are scheduled in October and November which may not pass as peacefully. At the core of potential unrest is disagreement over the recently promulgated constitution and federalism.

- **Natural disasters.** Nepal suffers from a high level of seismic activity as evidenced by the earthquakes in 2015. The Trust has a decentralised structure with AWCs spread across the country which provide a local base for emergency response. If one area is affected severely then neighbouring centres can immediately move in to provide support. This national footprint forms the cornerstone of our future disaster management plan. A collaboration with DFID will be developed further in the next financial year.
- **Activities that jeopardise the Trust's reputation.** The Trust operates in a country that has a relatively high risk of fraud and corruption. To minimise this risk audit and governance committees monitor recruitment and adherence to procedures. An internal audit function carries out risk related checks and senior staff are recruited from former Gurkha officers who have a proven track record from distinguished careers in the British Army.

B. FINANCIAL RISKS

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

- **Funding Risk.** The Trust negotiates grants awarded to finance its activities and incorporates this information into its annual business plans. The fundraising team spreads its appeals across a wide range of sources of funding to minimise risk.
- **Exchange Rate Risk.** The Trust monitors the rate of exchange on a daily basis. Until recently the movement has benefited the pound and assisted our work in Nepal. However, since June 2016 there has been a steady erosion in the value of sterling and a corresponding decline in the rate of exchange. To mitigate against adverse movements funds to cover three months cash flow are held in Nepali Rupees and the investment portfolio is spread across a wide range of currencies.

been created for the payment of the welfare pensions and the disability support grants. In addition to this obligation the trustees are concerned that the level of running costs of the residential homes should not have a detrimental effect on our ability to provide support to the much wider community of welfare pensioners, so a designated fund has been created that is sufficient to meet the costs for 20 years.

RESERVES POLICY

Based on a risk assessment and after allowing for funds to meet the constructive obligations and residential homes running costs, as mentioned above, the Trust's Reserves Policy takes into consideration:

- The Trust's clear and long-term objective of supporting the welfare pensioners in their declining years including the provision of welfare and medical support.
- 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 Trust's requirement 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 a country where there are not only geophysical dangers such as earthquakes but also political, social and

economic uncertainties. In addition, to deliver welfare support, the Trust depends on a number of partners whose support in the future is not guaranteed.

- The impact of adverse changes to the rate of exchange between sterling and the Nepali Rupee (NPR).
- Economic adversity, as despite a strong supporter base, there is no guarantee that recent levels of income will be matched in the future or that investments/assets will maintain their value.

Trustees consider that the Trust ideally requires free reserves equivalent to 12 months of standard expenditure not covered by other provisions, currently around £15,000,000. This level of reserve will enable the Trust to adjust its infrastructure and respond quickly to any of these risks.

After taking the Constructive Obligation into account the Trust has total funds of £24,667,000 (2015/16: £20,486,000), however, the free reserves which are available to meet contingencies and exclude tangible fixed assets, designated and restricted funds amount to £10,557,000 (2015/16: £6,704,000) as at 30 June 2017. This represents 70% of the level of reserves deemed appropriate by the trustees. Given the volatility of investment markets, the continued uncertainty over future rates of exchange, the uncertain fundraising climate and the risk of future natural disasters, trustees will continue to keep Trust finances under close review balancing current needs and the need to reach the ideal

Reserves

CONSTRUCTIVE OBLIGATION

When a charity has created a valid expectation through past practice that it will meet a liability the Charity Commission requires it to recognise the liability on the balance sheet as a constructive obligation. The Trust considers that a constructive obligation has

level of reserves to protect the interests of beneficiaries in the future.

DESIGNATED FUNDS

The Trust holds designated funds totalling £12,151,000 (2015/16: £11,752,000) as at 30th June 2017. These were held to meet the running costs of three residential homes for twenty years. However, given the significant increase in the cost of land in the Kathmandu valley and the current challenges for the charity in buying land, the development of the third residential home has been deferred. Once a final decision has been made on the matter the designated funds will be reviewed.

RESTRICTED FUNDS

The Trust started the year with over £80,000 in funds restricted to assist water projects and schools in Nepal. During the year £78,000 has been transferred from unrestricted funds to the restricted fund for water projects to restore the correct balance in Pounds Sterling following movements in the rate of exchange. At the 30th June 2017, there was a balance of £133,000 held, restricted for water projects.

FUTURE PLANS

Following a detailed review of how the GWS needs to deliver welfare in the future to our ageing and less mobile beneficiaries, a transformational change programme has been designed and is in the process of being implemented.

Priority areas identified that will enable more effective and efficient delivery of welfare include:

- Organisational restructuring.
- Medical provision.
- Electronic working practices.
- Payment of pensions.
- Payment of grants.

All these areas are being totally overhauled to address the changing needs of our ageing pensioners. Our primary beneficiaries can no longer be expected to walk, in some instances, significant distances to attend one of our AWCs to receive welfare support.

Our emphasis is now in providing welfare support directly at our pensioners' homes through a highly mobile MODEL. Our footprint of AWCs will be divided in to clusters answering to a key AWC to whom far more wide-ranging responsibilities will be devolved from the current over centralised structure emanating from HQ GWS. This will make decision making swifter and allow staff on the ground to respond with greater efficiency to the needs and requirements of our beneficiaries.

Pensioner Support Teams (PST) will then use the AWCs as forward operating bases while providing for all pensioner's welfare requirements at source. The first cluster with its corresponding PST was created in November 2017.

The three-person team of specialists from International SOS continue their work in assessing and enhancing the Trust's medical provision.







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 J Lumley OBE

INVESTMENT COMMITTEE

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

AUDIT & FINANCE COMMITTEES

D Clifford Esq MVO (Chairman)
Dr J D Keeling MBA, MB BS, FRCGP, DRCOG (wef 20
July 2017)
Dr G E Ratcliffe (to 20 July 2017)
Colonel J G Robinson
Ms C L Turner

GOVERNANCE COMMITTEE

F Dufficy Esq (Chairman)
J J Brade Esq MBE
D G Hayes CBE

Trustees, Officials and Advisors

TRUSTEES

General Sir Peter Wall GCB CBE DL (Chairman) (to 20
July 2017)
Lieutenant General N A W Pope CBE (Chairman)
(wef 20 July 2017)
J J Brade Esq MBE
D P Clifford Esq MVO
Brigadier J J Cole OBE
F Dufficy Esq
Major General A J S Fay
Krishnabhadur Gurung MVO MBE
D G Hayes Esq CBE
D J Hitchcock Esq OBE
Dr J D Keeling MBA, MB BS, FRCGP, DRCOG (wef 20
July 2017)
Dr G E Ratcliffe (to 20 July 2017)
Colonel J G Robinson
Brigadier G M Strickland DSO MBE
Ms C L Turner
Major General R Wardlaw OBE (wef 8 October 2016)
Major General T Urch CBE (to 8 October 2016)

DIRECTOR THE GURKHA WELFARE TRUST

A P W Howard Esq

DIRECTOR THE GURKHA WELFARE SCHEME

Colonel I St. C Logan

FIELD DIRECTOR THE GURKHA WELFARE SCHEME

Lieutenant Colonel S J Whitlock QGE

DEPUTY DIRECTOR EARTHQUAKE RESPONSE TEAM & PLANS

J R White Esq

HEAD OF FUNDRAISING

Ms S J Cherrington

INVESTMENT MANAGERS

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

AUDITORS

haysmacintyre
26 Red Lion Square, London WC1R 4AG

BANKERS

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

HSBC Bank plc
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

Statement of Trustees' Responsibilities

Trustees, who are also directors of The Gurkha Welfare Trust for the purposes of company law, are responsible for preparing the Trustees' Report (including the Group Strategic 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. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable 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 judgments and accounting 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 group will continue in operation.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the charitable group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the charitable company's constitution. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each of the trustees is aware at the time the report is approved:

- there is no relevant audit information of which the company and the group's auditors are 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 auditors are aware of that information.

This Trustees' Report incorporating the Strategic Report was approved and authorised for issue by the Board of Trustees on 13 December 2017 and signed on its behalf by:

Lieutenant General N A W Pope CBE
Chairman
13 December 2017



Independent auditor's report to the members of The Gurkha Welfare Trust

OPINION

We have audited the financial statements of The Gurkha Welfare Trust for the year ended 30 June 2017 which comprise the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheet and the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 30 June 2017 and of the group's and parent charitable company's net movement in funds, 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.

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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF TRUSTEES FOR THE FINANCIAL STATEMENTS

As explained more fully in the trustees' responsibilities statement set out on page 20, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial

statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report (which incorporates the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (which incorporates the strategic report and the directors' report) has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the strategic report and the directors' report).

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

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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 (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors

26 Red Lion Square
London
WC1R 4AG



Consolidated statement of financial activities for year ended 30th June 2017

(Incorporates the consolidated income and expenditure account.)

| | | Unrestricted | | Restricted | 2016/17 | 2015/16 |
|--|--------------|----------------|------------|--------------|----------------|---------|
| | | General | Designated | | Total | Total |
| | Notes | £000 | £000 | £000 | £000 | £000 |
| Income from: | 3 | | | | | |
| Donations and legacies | | | | | | |
| Donations | 3a | 5,601 | 0 | 2,229 | 7,830 | 7,302 |
| Legacies | 3b | 3,714 | 457 | 29 | 4,200 | 5,693 |
| Grants: | 3c | | | | | |
| Ministry of Defence | | 0 | 0 | 2,075 | 2,075 | 2,162 |
| Charitable activities | 3d | | | | | |
| Department for International Development | | 0 | 0 | 2,500 | 2,500 | 2,050 |
| Other trading activities | 3e | | | | | |
| Fundraising events | | 427 | 0 | 90 | 517 | 882 |
| GWT Trading Ltd | | 51 | 0 | 0 | 51 | 30 |
| Investments | 3f | 2,538 | 0 | 0 | 2,538 | 2,242 |
| Total | | 12,331 | 457 | 6,923 | 19,711 | 20,361 |
| Expenditure on: | 4 | | | | | |
| Raising funds | | | | | | |
| Fundraising | 4f | 1,827 | 0 | 0 | 1,827 | 1,625 |
| Investment management costs | 4g | 325 | 0 | 0 | 325 | 265 |
| Charitable activities | | | | | | |
| Individual aid | 4a | 5,334 | 0 | 2,611 | 7,945 | 6,602 |
| Medical aid | 4b | 3,412 | 0 | 268 | 3,680 | 2,372 |
| Disaster response | 4c | 1,318 | 0 | 1,482 | 2,800 | 5,642 |
| Residential Homes | 4d | 127 | 368 | 0 | 495 | 415 |
| Community aid | 4e | 1,400 | 0 | 2,587 | 3,987 | 2,927 |
| Total | | 13,743 | 368 | 6,948 | 21,059 | 19,848 |
| Net (expenditure)/income before other gains and losses | | (1,412) | 89 | (25) | (1,348) | 513 |
| Net gains/(losses) on investments | 8 | 6,504 | 0 | 0 | 6,504 | 1,426 |
| Net income/(expenditure) | | 5,092 | 89 | (25) | 5,156 | 1,939 |
| Transfers between funds | 14&15 | (388) | 310 | 78 | (0) | 0 |
| | | 4,704 | 399 | 53 | 5,156 | 1,939 |
| Other recognised (losses)/gains: | | | | | | |
| Movement in constructive obligation | 13 | (975) | 0 | 0 | (975) | (5,535) |
| Net movement in funds | | 3,729 | 399 | 53 | 4,181 | (3,596) |
| Reconciliation of funds: | | | | | | |
| Funds brought forward | | 8,654 | 11,752 | 80 | 20,486 | 24,082 |
| Total funds carried forward | 14-16 | 12,383 | 12,151 | 133 | 24,667 | 20,486 |

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: £742,000 (2015/16 deficit £219,000).

See Note 17 for a comparative statement of financial activities for year ended 30th June 2016.

The notes on pages 30 to 53 form part of these accounts.

Consolidated and Charity Balance Sheet at 30th June 2017

Company registration number: 05098581

| | Notes | Group | | Charity | |
|---|---------|--------------|--------------|--------------|--------------|
| | | 2017 £000 | 2016 £000 | 2017 £000 | 2016 £000 |
| Fixed assets | | | | | |
| Tangible assets | 7 | 1,865 | 1,950 | 1,865 | 1,950 |
| Investments | 8 | 69,040 | 67,730 | 69,040 | 67,730 |
| Total fixed assets | | 70,905 | 69,680 | 70,905 | 69,680 |
| Current assets | | | | | |
| Medication, project & trading stock | | 246 | 205 | 243 | 201 |
| Debtors | 9 | 622 | 354 | 670 | 379 |
| Cash at bank and in hand | | 7,244 | 5,098 | 7,197 | 5,076 |
| Total current assets | | 8,112 | 5,657 | 8,110 | 5,656 |
| Liabilities | | | | | |
| Creditors: amounts falling due within one year | 10 | (686) | (2,504) | (684) | (2,503) |
| Provisions for liabilities falling due within one year | | | | | |
| Constructive obligation | 12 | (4,886) | (4,742) | (4,886) | (4,742) |
| Net current assets or liabilities | | 2,539 | (1,589) | 2,539 | (1,589) |
| Creditors: amounts falling due after more than one year | | | | | |
| Gratuity commitments | 13 | (2,294) | (1,952) | (2,294) | (1,952) |
| Provision for liabilities falling due after more than one year | | | | | |
| Constructive obligation | 13 | (46,484) | (45,653) | (46,484) | (45,653) |
| Total net assets or liabilities | | 24,667 | 20,486 | 24,667 | 20,486 |
| Funds: | | | | | |
| Restricted funds | 14 & 16 | 133 | 80 | 133 | 80 |
| Unrestricted funds | | | | | |
| General | 14 & 15 | 63,753 | 59,049 | 63,753 | 59,049 |
| Welfare pension reserve | 13 | (51,370) | (50,395) | (51,370) | (50,395) |
| Net General funds | | 12,383 | 8,654 | 12,383 | 8,654 |
| Designated | 15 | 12,151 | 11,752 | 12,151 | 11,752 |
| Unrestricted funds after provision for liabilities and charges | | 24,534 | 20,406 | 24,534 | 20,406 |
| Total funds | 14 | 24,667 | 20,486 | 24,667 | 20,486 |

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

The net income in funds for the Trust for the year ended 30 June 2017 was £5,156,000 (2016:1,939,000). As permitted by Section 408 of the Companies Act 2006, no separate Statement of Funds or Income and Expenditure account has been presented for the Charity only.

Approved and authorised for issue by the Board of Trustees on 13th December 2017 and signed on their behalf by:

Lieutenant General N A W Pope CBE
Chairman
13 December 2017

The notes on pages 30 to 53 form part of these accounts.

Consolidated statement of cash flows for the year ended 30th June 2017

| | Notes below | 2016/17 £000 | 2015/16 £000 | |
|--|----------------|-----------------|-----------------|------------------------------|
| Cash flows from operating activities: | | | | |
| Net cash provided by (used in) operating activities | (Note A) | (5,477) | 1,263 | |
| Cash flows from investing activities: | | | | |
| Dividends and interest from investments | | 2,538 | 2,242 | |
| Purchase of property, plant and equipment | | (156) | (453) | |
| Proceeds from the sale of investments | | 20,378 | 10,290 | |
| Purchase of investments | | (18,320) | (14,410) | |
| Net cash provided by (used in) investing activities | | 4,440 | (2,331) | |
| Cash flows from financing activities: | | | | |
| Repayments of borrowing | | | | |
| Cash inflows from new borrowing | | | | |
| Receipt of endowment | | | | |
| Net cash provided by (used in) financing activities | | | | |
| Change in cash and cash equivalents in the reporting period | | (1,038) | (1,055) | |
| Cash and cash equivalents at the beginning of the reporting period | (Note B) | 10,282 | 11,337 | |
| Cash and cash equivalents at the end of the reporting period | (Note B) | 9,244 | 10,282 | |
| Note A. Reconciliation of net income/(expenditure) to net cash flow from operating activities | | 2016/17 £000 | 2015/16 £000 | |
| Net income/(expenditure) for the reporting period | | 5,156 | 1,939 | |
| Adjustments for: | | | | |
| Depreciation charges | | 241 | 351 | |
| (Gains)/losses on investments | | (6,504) | (1,426) | |
| Investments donated | | (48) | (13) | |
| Dividends and interest from investments | | (2,538) | (2,242) | |
| Loss/(profit) on the sale of fixed assets | | 0 | 0 | |
| (Decrease)/increase in stocks | | (41) | (41) | |
| (Increase)/decrease in debtors | | (268) | 568 | |
| (Decrease)/increase in creditors | | (1,476) | 2,127 | |
| Net cash provided by (used in) operating activities | | (5,477) | 1,263 | |
| Note B. Analysis of cash and cash equivalents | | 2016/17 £000 | 2015/16 £000 | Cash flow in year £000 |
| Cash in hand | | 7,244 | 5,098 | 2,146 |
| Notice deposits (less than 3 months) | | 2,000 | 5,184 | (3,184) |
| Overdraft facility repayable on demand | | 0 | 0 | |
| Total cash and cash equivalents | | 9,244 | 10,282 | (1,038) |

The notes on pages 30 to 53 form part of these accounts.



1. Basis of preparation

A. STATEMENT OF COMPLIANCE

The financial statements are prepared under the historical cost convention as MODified to include the revaluation of investments at fair value. The format of the financial statements has been presented to comply with the Companies Act 2006 and FRS102 The Financial Reporting Standard applicable in the UK and Ireland and the Statement of Recommended Practice Accounting and Reporting by Charities ("SORP 2015"). The Charity is a Public Benefit Entity as defined by FRS102.

B. GENERAL INFORMATION

The charity is a company limited by guarantee, incorporated in England and Wales (company number: 05098581) and a charity registered in England and Wales (charity number: 1103669). The charity's registered office address is:

PO Box 2170
22 Queen Street
Salisbury, SP2 2EX

C. BASIS OF CONSOLIDATION

These financial statements

consolidate the results, assets and liabilities of the charity's trading subsidiary, GWT Trading Limited, on a line by line basis.

The charity's own Statement of Financial Activities has not been presented, as permitted by section 408 of the Companies Act 2006. The charity's net income for the year as an individual entity was a surplus of £5,156,000 (2015/16: a surplus of £1,939,000).

D. GOING CONCERN

The trustees consider that there are no material uncertainties which would cast doubt on the charity's ability to continue as a going concern.

E. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the charity's accounting policies. The key judgements that have been applied by management relate to:

- Constructive obligation: The valuation of the constructive obligation is based on the following assumptions:
 - Future inflation rate in Nepal at 5.5% per annum.

- Future payments have been discounted at 5.5% per annum.
- Life expectancy for our beneficiaries is 3 years longer than estimated in the Nepali Government Mortality tables.
- There are anticipated 50 new entrants per year.
- 50% of former soldier pensions will be transferred to a widow.
- Legacies: Income is accrued for pecuniary legacies when the income is received after the yearend but grant of probate had been obtained during the financial year.
- Depreciation: The rate of depreciation for tangible fixed assets is selected by management based on their estimate of normal economic life taking into consideration the environment in which the asset is deployed. If a material change in value is caused by a variance between the actual and the calculated economic life, then the charge would be changed retrospectively.

2. Principal accounting policies

The following principal accounting policies have been applied:

A. INCOME

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be

received and the amount can be measured reliably.

Recognition of income is deferred where conditions specify that such income relates to future accounting periods. Where donors specify that funds are for specific purposes such income is included in incoming resources of restricted funds.

Donations and Legacies income includes donations and gifts in wills which are recognised where there is entitlement, probability of receipt and the amount of the gift is measurable.

Income from donations, covenants and gift aid includes receipts from fundraising events. Donations, together with the resulting tax credit from gift aid, is credited directly to the statement of financial activities on an accruals basis. Donations and all other receipts (including capital receipts) from fundraising are reported gross and the related fundraising costs are reported in raising funds.

Pecuniary Legacies are accrued and credited directly to the statement of financial activities when the value becomes known with reasonable certainty, probability of receipt and the ability to estimate with sufficient accuracy the amount receivable. For residuary and reversionary legacies, entitlement is established in the year that the charity has been notified of an impending distribution. Where a legacy is received, or notified as receivable (by the personal representatives) after the accounting year end, but it is clear

that a legacy had been agreed by the personal representatives prior to the year end (hence providing evidence of a condition that existed at the balance sheet date) it is accrued in the statement of financial activities and the balance sheet.

Grant Income. Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income from other trading activities is recognised as earned as the related goods are provided.

Interest and Dividends

Receivable. Investment income is recognised on a receivable basis and the amounts can be measured reliably. Interest on funds on deposit is included when receivable upon notification by the relevant banking institutions. Dividends receivable on assets held for investment purposes are receivable upon notification by the relevant investment institutions.

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.

The cost of raising funds comprises costs directly attributable to fundraising and managing the investment portfolio. Charitable activity costs in the UK are incurred in running the Gurkha Welfare Advice Centre and in supporting the activities in Nepal. The costs of running the Trust's office and staff costs have been allocated on a time spent and area occupied basis to raising funds and charitable activity. Governance costs are apportioned on the same basis as the office and staff costs and are disclosed in the notes comprising audit and legal fees and the costs associated with constitutional and statutory requirements.

Costs in Nepal have been allocated to the direct charitable activities. Direct costs include actual grants made and costs related to people directly employed in providing one of our charitable activities. Other direct costs such as staff costs and overheads of the Area Welfare Centres established for the delivery of more than one charitable activity are apportioned as other direct costs. Support costs include staff and administrative overheads. Support and governance costs 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.

Short term benefits including holiday pay are recognised as an expense in the period in which the service is received. Termination benefits are accounted for on an accrual basis and in line with FRS 102.

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 on a straight-line basis over the period 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 or losses are recorded as

support costs to the activities to which they relate.

F. PENSIONS AND RETIREMENT BENEFITS

In UK, the Trust makes contributions to employee individual defined contribution pension plans.

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 Nepali 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.

H. PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small. In particular:

- Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring

and provision is not made for future operating losses.

- Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

I. 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).

J. 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.

K. 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.

L. STOCKS

The stocks of medication, project materials and bought-in goods for sale are valued at the lower of cost and net realisable value on a first in first out basis.

Basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable are accounted for on the following basis:

M. FINANCIAL INSTRUMENTS

Cash and cash equivalents includes cash in hand, deposits held at banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current liabilities.

Debtors and creditors are measured at the transaction price less any provision for impairment. Any losses arising from impairment are recognised as expenditure.

Bank borrowings. Liabilities for borrowings which are subject to a market rate of interest are measured at the value of the amount advanced, less capital repayments.

3. Income

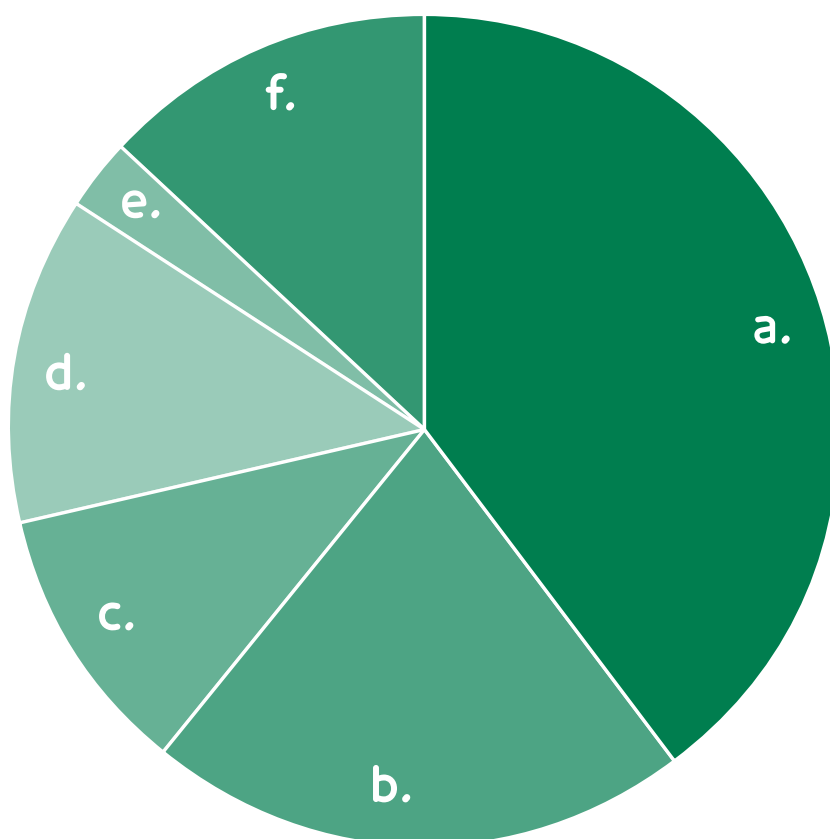
Total income includes income transferred from the charitable trust “Gurkha Welfare Trust”, former charity number 1034080. The Trust is retained while it receives donations and legacy income.

| | 2016/17 | 2015/16 |
|--|--------------|--------------|
| a. Donations | £000 | £000 |
| Donations from individuals | 6,420 | 5,464 |
| Donations from companies, trusts, clubs and organisations | 1,410 | 1,838 |
| | 7,830 | 7,302 |
| b. Legacies | 4,200 | 5,693 |
| c. Grants | | |
| Ministry of Defence - to support operating costs in Nepal | 2,075 | 2,162 |
| d. Charitable activities | | |
| DFID - for water and sanitation projects in remote locations | 2,500 | 2,050 |
| e. Other trading activities | | |
| Fundraising events | 517 | 882 |
| GWT Trading Ltd | 51 | 30 |
| f. Investments | | |
| Investment dividends & interest | 2,341 | 2,086 |
| Bank interest | 197 | 156 |

Donations from individuals include part of the contributions made by all ranks of the Brigade of Gurkhas under Service Day's Pay Giving of £283,000 (2015/16: £208,000). This also includes donations from Nepali contract civilians and the Gurkha Contingent of the Singapore Police, who also qualify for support from the Trust.

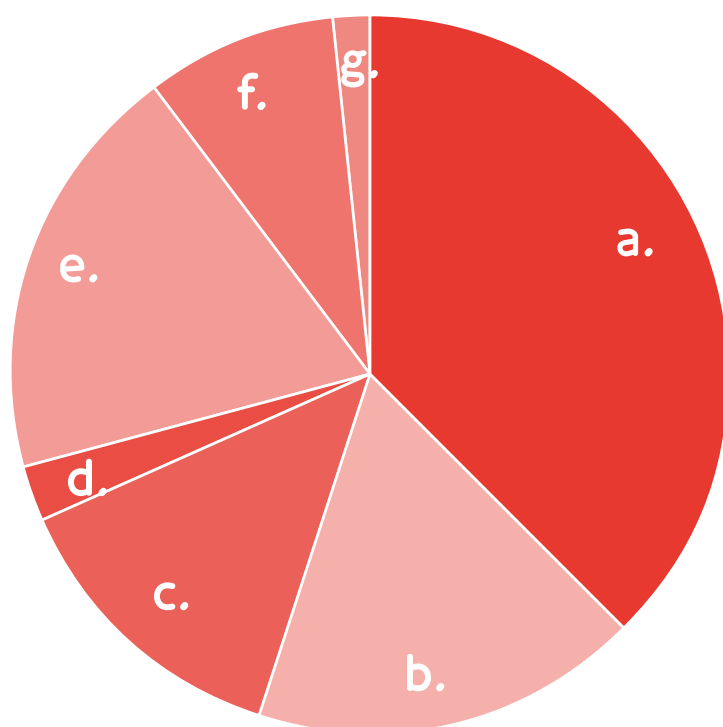
Income from investments includes interest, dividends and transitional tax credits. Fundraising events include income generated by branches and supporters throughout the country as well as sponsorship income from Trailwalker.

The Trust has benefited from an exceptional legacy from Lady McFadzean with £457,000 having been received in 2016/17 (2015/16: £1,163,000).



4. Expenditure

| | Grants | Direct costs | Support costs | | 2016/17 | 2015/16 |
|------------------------------------|--------------|--------------|---------------|------------|---------------|---------------|
| | | | Support | Governance | Totals | Totals |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Charitable activities | | | | | | |
| a. Individual aid | | | | | | |
| Welfare pensions | 4,814 | 0 | 1,259 | 70 | 6,143 | 5,002 |
| Care for the elderly | 182 | 116 | 0 | 4 | 302 | 82 |
| Disability support | 158 | 0 | 53 | 2 | 213 | 159 |
| Winter allowance | 105 | 0 | 34 | 2 | 141 | 111 |
| Welfare grants & support | 287 | 0 | 135 | 4 | 426 | 226 |
| UK welfare | 250 | 302 | 140 | 28 | 720 | 1,022 |
| Total | 5,796 | 418 | 1,621 | 110 | 7,945 | 6,602 |
| b. Medical aid | 0 | 2,389 | 1,256 | 35 | 3,680 | 2,372 |
| c. Disaster Response | 973 | 1,603 | 182 | 42 | 2,800 | 5,642 |
| d. Residential homes | 32 | 407 | 50 | 6 | 495 | 415 |
| e. Community aid | | | | | | |
| Schools projects | 284 | 499 | 297 | 11 | 1,091 | 697 |
| Water projects | 0 | 2,436 | 421 | 39 | 2,896 | 2,230 |
| Total | 284 | 2,935 | 718 | 50 | 3,987 | 2,927 |
| Charitable activities total | 7,085 | 7,752 | 3,827 | 243 | 18,907 | 17,958 |
| Raising funds | | | | | | |
| f. Fundraising | 0 | 1,007 | 786 | 34 | 1,827 | 1,625 |
| g. Investment management | 0 | 280 | 34 | 11 | 325 | 265 |
| Raising funds total | 0 | 1,287 | 820 | 45 | 2,152 | 1,890 |
| Total | 7,085 | 9,039 | 4,647 | 288 | 21,059 | 19,848 |



UK Welfare includes a grant of £250,000 (2015/16: £250,000) paid to ABF The Soldiers' Charity for the support of former Gurkhas who have retired in the UK. All other grants totalling £6,835,000 (2015/16: £8,923,000) were to individuals or small community groups.

The number of grants issued to individuals or communities on the table below are recorded on a beneficiary database based on British Army records which is subject to independent audit in Nepal. All grants to individuals require proof of identity before issue and community grants are only arranged with approval from the local community council.

NOTES TO THE ACCOUNTS

| Activity | Beneficiaries | Notes |
|----------------------------|---------------|--|
| Welfare pensions: | 5,878 | There were 5,798 recipients at the start of the year and 80 new recipients. A detailed database of all welfare pensioners is maintained based on data from British Army records. Payments are made on a quarterly basis and require proof of identity. |
| Care: | 250 | We maintained 250 grants to assist the support of the most vulnerable. A fixed number of grants have been issued and details of the beneficiaries recorded on our database. |
| Disability Support: | 220 | The number of recipients increased to 220 by the year end. This data is held on the same database as the welfare pensioners and is subject to both proof of identity and medical requirement. |
| Winter allowance: | 5,626 | All welfare pensioners, DSG recipients and residential home residents supported last December received the allowance. |
| Welfare grants: | 1,329 | These grants were awarded for cases of special need not covered by the other awards. Each grant is individually assessed and approved by a senior member of staff. |
| Disaster response: | 1,426 | Individuals, previously identified as eligible on our database were assisted by grants towards the repair or rebuilding of their homes and other associated support. |
| Residential care: | 57 | Our two residential homes have a capacity of 52 and there were five new residents admitted during the year. |
| School projects: | 153 | Communities were assisted through the repair, extension or new build of a school. Every project is arranged with and authorised by the local community committee and requires a community contribution. |

Further information on the grants can be found in the Trustees' Annual Report. The total charitable activity cost of £18,907,000 represents 89% of total expenditure.

ANALYSIS OF SUPPORT COSTS

| | People | Premises | Services | Legal & Prof | Currency | Governance | Total |
|---------------------------------|--------------|--------------|------------|--------------------|--------------------|--------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| a. Individual aid | 1,320 | 144 | 57 | 0 | 100 | 110 | 1,731 |
| b. Medical aid | 651 | 73 | 22 | 456 | 54 | 35 | 1,291 |
| c. Disaster response | 148 | 17 | 5 | 0 | 12 | 42 | 224 |
| d. Residential homes | 41 | 5 | 1 | 0 | 3 | 6 | 56 |
| e. Community aid | 624 | 44 | 30 | 0 | 20 | 50 | 768 |
| f. Fundraising | 604 | 50 | 93 | 39 | 0 | 34 | 820 |
| g. Investment management | 28 | 2 | 4 | 0 | 0 | 11 | 45 |
| Total | 3,416 | 335 | 212 | 495 | 189 | 288 | 4,935 |
| Basis of allocation | Time spent | Space & time | Time spent | Direct attribution | Pro rata with cost | Attribution & time | |



5. Governance costs

Apportioned governance costs were:

| | 2016/17 | 2015/16 |
|-----------------------------|------------|------------|
| | Total | Total |
| | £000 | £000 |
| Staff employment costs | 139 | 118 |
| Staff & trustee other costs | 38 | 50 |
| Premises costs | 12 | 18 |
| Office services | 23 | 14 |
| Legal & professional | 76 | 76 |
| | 288 | 276 |

6. Staff, trustee and governance costs

A. STAFF NUMBERS

The Trust employed the following average number of staff:

| | 2016/17 | 2015/16 |
|----------------------------------|---------|---------|
| UK: | | |
| Administration and fundraising | 17 | 16 |
| Welfare | 8 | 7 |
| Nepal: | | |
| Individual aid and general staff | 240 | 244 |
| Water projects | 137 | 122 |
| Schools projects | 8 | 7 |
| Disaster Response | 49 | 32 |

B. STAFF COSTS

| | 2016/17 | 2015/16 |
|------------------------|--------------|--------------|
| | £000 | £000 |
| UK: | | |
| Salaries | 894 | 810 |
| Social security costs | 85 | 77 |
| Pension | 79 | 55 |
| Severance payments | 0 | 1 |
| | 1,058 | 943 |
| Nepal: | | |
| Salaries | 3,660 | 2,437 |
| Benefits | 82 | 48 |
| Pension (see Note 12) | 334 | 537 |
| Gratuity (see Note 12) | 443 | 367 |
| | 5,577 | 4,332 |

The Trust had two employees with salary and benefits over £60,000 (2015/16: 2); the total for one employee is between £90,001 and £100,000 (2015/16: £90,001 and £100,000) and another between £70,001 and £80,000 (2015/16: £70,001 and £80,000). Employer's pension contributions for these two staff were £16,000 (2015/16: £15,000).

Key people in the Trust in UK and Nepal with delegated authority from the trustees are the Director, Director GWS, the Field Director GWS, Deputy Director EQRT & Plans and the Head of Fundraising. The combined salary and benefits cost to the Trust totals £261,000 (2015/16: £236,000).

Both the Director GWS and the

Field Director GWS are seconded from the British Army with their costs being met by the MOD.

The Trust incurred no redundancy or termination payments (2015/16: £1,000).

C. TRUSTEES' EXPENSES, REMUNERATION AND DONATIONS

In 2016/17 no trustee received any remuneration or pension but eight trustees were either reimbursed, or expenses were paid on their behalf of £20,000 principally on travel to Nepal but

also in respect of attendance at meetings at the GWT Salisbury office and in London, (2015/16: eleven trustees were either reimbursed or expenses were paid on their behalf of £33,000). Trustees donated a total of £805 (2015/16: £1,490).

D. RELATED PARTY TRANSACTIONS

Alexander Pope, the son of a trustee, was employed by the Trust. The trustee concerned was not involved in his appointment or determining his remuneration. The appointment was approved by the Charity Commission.

E. NET EXPENDITURE

Net expenditure for the period is stated after charging:

| | | | 2016/17 | 2015/16 |
|-------------------|-----------------------------|---------------------|---------|---------|
| | | | £000 | £000 |
| Audit fees | UK excluding VAT | haysmacintyre audit | 23 | 21 |
| | | haysmacintyre Nepal | 8 | 0 |
| | Nepal | CSC & Co | 9 | 11 |
| | | Joshi & Bhandari | 3 | 0 |
| | Actuarial fees | | 2 | 2 |
| | Trustee indemnity insurance | | 2 | 2 |

F. OPERATING LEASE COMMITMENTS

At 30 June 2017 the group's future minimum operating lease payments are as follows:

| | | 2016/17 | 2015/16 |
|--------------------------|----------------------|---------|---------|
| | | £000 | £000 |
| UK Property lease | | | |
| | Within 1 year | 80 | 76 |
| | Between 1 to 5 years | 332 | 45 |
| | Over 5 years | 476 | 0 |
| Nepal Property | | | |
| | Within 1 year | 51 | 29 |
| | Between 1 to 5 years | 34 | 56 |



7. Movement of Tangible Fixed Assets, Group and Charity

| | Freehold Land & Buildings £000 | Leasehold Property £000 | Vehicles & Equipment £000 | Computer Software £000 | Assets in Construction £000 | Total £000 |
|-----------------------|---|-------------------------------|---------------------------------|------------------------------|-----------------------------------|---------------|
| Cost | | | | | | |
| At 1 July 2016 | 2,040 | 198 | 703 | 21 | 76 | 3,038 |
| Asset transfers | 0 | 76 | 0 | 0 | (76) | 0 |
| Additions | 0 | 81 | 0 | 0 | 75 | 156 |
| Disposals | 0 | 0 | (24) | 0 | 0 | (24) |
| At 30 June 2017 | 2,040 | 355 | 679 | 21 | 75 | 3,170 |
| Depreciation | | | | | | |
| At 1 July 2016 | (531) | (21) | (516) | (20) | 0 | (1,088) |
| Depreciation | (128) | (35) | (77) | (1) | 0 | (241) |
| Disposals | 0 | 0 | 24 | 0 | 0 | 24 |
| At 30 June 2017 | (659) | (56) | (569) | (21) | 0 | (1,305) |
| Net Book Value | | | | | | |
| At 1 July 2016 | 1,509 | 177 | 187 | 1 | 75 | 1,950 |
| At 30 June 2017 | 1,381 | 299 | 110 | 0 | 75 | 1,865 |

8. Investments

| Listed investments | | 2017 | 2016 |
|---|------------------------------------|---------------|---------------|
| Fixed interest | | £000 | £000 |
| | UK | 4,869 | 3,821 |
| | Overseas | 6,542 | 6,454 |
| Equities | | | |
| | UK | 14,153 | 12,530 |
| | Americas | 292 | 247 |
| | Emerging Markets | 3,520 | 2,163 |
| | Alternative investments | 11,662 | 7,395 |
| | Other Overseas/Non-Specific Region | 22,533 | 26,507 |
| Property | | 3,469 | 3,429 |
| | | 67,040 | 62,546 |
| Cash held as part of investment portfolio | | 2,000 | 5,184 |
| | | 69,040 | 67,730 |

MAJOR MOVEMENTS IN INVESTMENTS DURING THE YEAR WERE:

| | 2016/17 | 2015/16 |
|-----------------------------------|-----------------|-----------------|
| | £000 | £000 |
| Opening market value (excl. Cash) | 62,546 | 57,000 |
| Purchases | 18,320 | 14,410 |
| Disposal proceeds | (20,378) | (10,290) |
| Realised gains/(losses) | 606 | (732) |
| Unrealised gains/(losses) | 5,898 | 2,158 |
| Investments donated | 48 | 0 |
| Closing market value (excl. Cash) | 67,040 | 62,546 |

Investment in subsidiary

GWT owns 100% of the issued share capital of GWT Trading Ltd, being two ordinary shares with a nominal value of £1. GWT Trading Ltd is registered in England and Wales No.: 02986861 and its registered office is PO Box 2170, 22 Queen Street, Salisbury, SP2 2EX.

GWT TRADING LTD STATEMENT OF INCOME & RETAINED EARNINGS FOR YEAR ENDED 30 JUNE 2017

| | 2016/17 £000 | 2015/16 £000 |
|---|-----------------|-----------------|
| Turnover | 51 | 30 |
| Cost of sales | (5) | (2) |
| Gross profit | 46 | 28 |
| Administrative expenses | (2) | (1) |
| Operating profit | 44 | 27 |
| Profit for the financial year before taxation | 44 | 27 |
| Tax on profit on ordinary activities | 0 | 0 |
| Profit for the financial year after taxation | 44 | 27 |
| Profit for the year | 44 | 27 |
| Gift aid payment | (44) | (27) |
| Retained earnings at the year end | 0 | 0 |

GWT TRADING LTD BALANCE SHEET AT 30 JUNE 2017

| | 2017 £000 | 2016 £000 |
|---|--------------|--------------|
| Current Assets | | |
| Stock | 3 | 3 |
| Debtors | 4 | 3 |
| Cash at bank and In hand | 48 | 23 |
| | 55 | 29 |
| Creditors amounts falling due within one year | (55) | (29) |
| Net Current Assets | 0 | 0 |
| Net Assets | 0 | 0 |
| Share Capital | 0 | 0 |
| Retained Profit | 0 | 0 |



9. Debtors

| | Group | | Charity | |
|--------------------------------|------------|------------|------------|------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | £000 | £000 | £000 | £000 |
| Prepayments and accrued income | 149 | 106 | 149 | 106 |
| Legacies | 276 | 152 | 276 | 152 |
| Other debtors | 197 | 96 | 191 | 92 |
| Intercompany balances | 0 | 0 | 54 | 29 |
| | 622 | 354 | 670 | 379 |

10. Creditors

| | Group | | Charity | |
|----------------------------|------------|--------------|------------|--------------|
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 |
| | £000 | £000 | £000 | £000 |
| Taxation & social security | 29 | 20 | 29 | 20 |
| Trade creditors | 111 | 87 | 110 | 86 |
| Other creditors | 480 | 2,342 | 480 | 2,342 |
| Accruals | 66 | 55 | 65 | 55 |
| | 686 | 2,504 | 684 | 2,503 |

11. Financial instruments

| | Group | | Charity | |
|--|---------------|---------------|---------------|---------------|
| | 2016-17 | 2015/16 | 2016-17 | 2015/16 |
| | £000 | £000 | £000 | £000 |
| Financial assets measured at fair value | | | | |
| Investment in shares | 67,040 | 58,546 | 67,040 | 58,546 |
| Financial assets measured at amortised cost | | | | |
| Gratuity fund (see note 12) | 2,294 | 1,952 | 2,294 | 1,952 |
| Legacies - legacy accrual | 276 | 152 | 276 | 152 |
| Other debtors | 197 | 96 | 191 | 92 |
| Investment cash | 2,000 | 5,184 | 2,000 | 5,184 |
| Investment in short term deposits | 0 | 4,000 | 0 | 4,000 |
| | 4,767 | 11,384 | 4,761 | 11,380 |
| Financial liabilities measured at fair value | 0 | 0 | 0 | 0 |
| Financial liabilities measured at Amortised cost | | | | |
| Trade creditors | 111 | 87 | 110 | 86 |
| Other creditors | 480 | 2,342 | 480 | 2,342 |
| Gratuity liability (see note 12) | 2,294 | 1,952 | 2,294 | 1,952 |
| | 2,885 | 4,381 | 2,884 | 4,380 |
| Other liabilities measured at fair value | | | | |
| Constructive obligation (see note 13) | 51,370 | 50,395 | 51,370 | 50,395 |
| Net financial assets measured at amortised cost | 17,552 | 15,154 | 17,547 | 15,151 |

The constructive obligation is measured at fair value based on the expected amounts payable, discounted at an appropriate market rate. The Trust has no loans or overdrafts and has no forward currency contracts or hedging arrangements.

12. Pensions and leaving benefits

The charity provides defined contribution pension arrangements for its employees in the UK. Each employee is able to either join the Government's NEST scheme or 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 statement of financial activities 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 2016/17 were £78,000 (2015/16: £55,000). 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 £2,294,000. (2015/16: £1,952,000). The Provident Fund is held by the Gurkha Welfare Scheme Staff Retirement Benefit Fund, an independent body.

13. Constructive obligation

The Trust has recognised for some years a long-term constructive obligation, as defined by SORP 2015, in respect of its welfare

pensions. SORP 2015 requires that such 'constructive obligations', even though they are not legally binding liabilities, be recognised on a charity's balance sheet. In 2014/15 the Trust recognised a similar obligation for the welfare support provided to the disabled children of welfare pensioners who were not able to support themselves when their parents were deceased.

This year, trustees instigated a review of the constructive obligation. After detailed examination of the mortality rate for our beneficiaries it was discovered that they were living longer than estimated using the Nepali Government's official table. With actuarial advice, an adjustment has been applied to the calculation of the constructive obligation assuming that our welfare pension beneficiaries will live three years longer than the normal Nepali life expectancy. In addition, an allowance has been added for new entrants and the basis of calculation for the transfer to widows has been refined.

An independent actuarial assessment of the net present value of future payments for both the welfare pension and the disability support (DSG) has been obtained using the following long-term assumptions:

- The level of benefit agreed for welfare pensions for 2017/18, NPRs 126,000 per annum (120,000 per annum in 2016/17) and DSG of NPRs 96,000 will increase with inflation at 5.5% over the long term (7% in 2015/16).
- An estimated number of 5,325

welfare pensioners (2015/16: 5,798) with an average age of 79.28. There are 220 DSG beneficiaries with an average age of 56.64.

- 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 1,560 ex-Gurkhas who left the service in the late 1960's and early 1970's and 320 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. A provision for 50 new entrants each year has been made.
- Future payments have been discounted at 5.5% pa (2015/16: 7%), 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 and this year the value of the pound dropped significantly following the vote to leave the European Union. Based on the exchange rate of NPRs 133.00 / £1, (2015/16: NPRs 143.20 / £1) that applied on 30th June 2017 the value of the obligation for the welfare pension was £48,194,000. This is an increase of £1,143,000 on the figure for 2015/16 of £47,051,000. The value required to cover DSG has shown a small reduction to £3,176,000, (2015/16: £3,344,000) following a regrading of the benefit levels and medical assessments. The combined total constructive obligation was £51,370,000.

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

| | Unrestricted funds | Restricted funds | Total |
|--------------------------|--------------------|------------------|---------------|
| | £000 | £000 | £000 |
| Tangible assets | 1,826 | 39 | 1,865 |
| Investments | 69,040 | 0 | 69,040 |
| Current assets | 8,015 | 97 | 8,112 |
| Current liabilities | (683) | (3) | (686) |
| Gratuity commitments | (2,294) | 0 | (2,294) |
| Constructive obligations | (51,370) | 0 | (51,370) |
| | <u>24,534</u> | <u>133</u> | <u>24,667</u> |

15. Unrestricted funds of the Group and Charity

| | Balance at 1 July 2016 | Income | Expenditure | Gains and Transfers | Movement in obligation | Balance at 30 June 2017 |
|--------------------------|---------------------------|---------------|-----------------|------------------------|------------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Designated funds | | | | | | |
| Residential Homes | 11,752 | 457 | (368) | 310 | 0 | 12,151 |
| Total designated funds | 11,752 | 457 | (368) | 310 | 0 | 12,151 |
| General funds | 8,654 | 12,331 | (13,743) | 6,116 | (975) | 12,383 |
| Total unrestricted funds | <u>20,406</u> | <u>12,788</u> | <u>(14,111)</u> | <u>6,426</u> | <u>(975)</u> | <u>24,534</u> |

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.

An unrestricted legacy has been left to the GWT, which was prompted by, but not restricted to the residential homes programme. In 2016/17 £457,000 was received from this legacy, which the Trustees designated for costs relating to the residential homes.

Trustees took the prudent

precaution in 2011/12 of creating a designated fund to cover the running costs of the homes for the next twenty years so that the homes would not be a drain on other activities. The transfer of £310,000 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.

16. Restricted funds of the charity

| | Balance at 1 July 2016 | Income | Expenditure | Transfers between funds | Balance at 30 June 2017 |
|----------------------------------|---------------------------|--------------|--------------|----------------------------|----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| a. Grants to individuals: | | | | | |
| Welfare pensions | 0 | 874 | 874 | 0 | 0 |
| Winter allowance | 0 | 80 | 80 | 0 | 0 |
| UK welfare | 0 | 7 | 7 | 0 | 0 |
| | 0 | 961 | 961 | 0 | 0 |
| b. Medical: | | | | | |
| Care | 0 | 136 | 136 | 0 | 0 |
| KAAA | 0 | 69 | 69 | 0 | 0 |
| Medical | 0 | 62 | 62 | 0 | 0 |
| | 0 | 267 | 267 | 0 | 0 |
| c. Disaster response: | 0 | 1,365 | 1,365 | 0 | 0 |
| d. Water projects - DFID | 64 | 2,500 | 2,509 | 78 | 133 |
| e. Schools projects: | | | | | |
| Neal Turkington Fund | 16 | 3 | 19 | 0 | 0 |
| Schools | 0 | 59 | 59 | 0 | 0 |
| | 16 | 62 | 78 | 0 | 0 |
| f. Other grants: | | | | | |
| Vehicles & equipment | 0 | 118 | 118 | 0 | 0 |
| MOD grant in aid | 0 | 1,650 | 1,650 | 0 | 0 |
| | 80 | 6,923 | 6,948 | 78 | 133 |

A. GRANTS TO INDIVIDUALS

Restricted funds for welfare pensions are obtained from individuals that regularly donate to a pensioner support fund as well as other advertising and appeals. One supporter continues to fund the Winter Allowance.

B. MEDICAL

Several charitable trusts have specifically sponsored the expansion of the field medical and care services.

C. DISASTER RESPONSE

Following the disastrous earthquakes in Nepal in April 2015 an appeal was launched to enable us to help individuals and communities in the affected areas.

D. WATER PROJECTS

DFID award a grant for the rural water and sanitation programme.

E. SCHOOLS PROJECTS

A memorial fund in memory of Neal Turkington, lost in action while serving in Afghanistan,

continues to raise funds to build schools. Several charitable trusts have also sponsored the rebuilding of schools.

F. OTHER GRANTS

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

A transfer of £78,000 was made from unrestricted funds to the restricted fund for water projects to compensate for loss in value in Sterling due to movements in the exchange rate with the Nepali Rupee.



The following notes, numbers 17 to 20, refer to financial year 2015/16 and are included for comparative purposes only.

17. Comparative statement of financial activities for year ended 30 June 2016

| | Unrestricted | | Restricted | 2015/16 |
|---|----------------|---------------|----------------|----------------|
| | General | Designated | | Total |
| | £000 | £000 | £000 | £000 |
| Income from | | | | |
| Donations and legacies | | | | |
| Donations | 3,864 | 0 | 3,438 | 7,302 |
| Legacies | 4,494 | 1,163 | 36 | 5,693 |
| Grants: | | | | |
| Ministry of Defence | 0 | 0 | 2,162 | 2,162 |
| Treasury | 0 | 0 | 0 | 0 |
| Charitable activities | | | | |
| Department for International Development | 0 | 0 | 2,050 | 2,050 |
| Other trading activities | | | | |
| Fundraising events | 549 | 0 | 333 | 882 |
| GWT Trading Ltd | 30 | 0 | 0 | 30 |
| Investments | 2,242 | 0 | 0 | 2,242 |
| Income from GWT Trading | 0 | 0 | 0 | 0 |
| Total | 11,179 | 1,163 | 8,019 | 20,361 |
| Expenditure on | | | | |
| Raising funds | | | | |
| Fundraising | 1,625 | 0 | 0 | 1,625 |
| Investment management costs | 265 | 0 | 0 | 265 |
| Charitable activities | | | | |
| Individual aid | 3,858 | 0 | 2,744 | 6,602 |
| Medical aid | 1,493 | 0 | 879 | 2,372 |
| Disaster response | 620 | 0 | 5,022 | 5,642 |
| Residential Homes | 0 | 388 | 27 | 415 |
| Community aid | 722 | 0 | 2,205 | 2,927 |
| Total | 8,583 | 388 | 10,877 | 19,848 |
| Net (expenditure)/income before other gains and losses | 2,596 | 775 | (2,858) | 513 |
| Net gains/(losses) on investments | 1,426 | 0 | 0 | 1,426 |
| Transfers between funds | (313) | 313 | 0 | 0 |
| Net income/(expenditure) | 3,709 | 1,088 | (2,858) | 1,939 |
| Other recognised gains/(losses) | | | | |
| Movement in constructive obligation | (5,535) | 0 | 0 | (5,535) |
| Net movement in funds | (1,826) | 1,088 | (2,858) | (3,596) |
| Reconciliation of funds | | | | |
| Funds brought forward | 10,480 | 10,664 | 2,938 | 24,082 |
| Total funds carried forward | 8,654 | 11,752 | 80 | 20,486 |

18. Comparative Analysis of net assets between funds, Group and Charity 2015/16

| | Unrestricted funds | Restricted funds | Total |
|--------------------------|--------------------|------------------|---------------|
| | £000 | £000 | £000 |
| Tangible assets | 1,950 | 0 | 1,950 |
| Investments | 67,730 | 0 | 67,730 |
| Current assets | 5,577 | 80 | 5,657 |
| Current liabilities | (2,504) | 0 | (2,504) |
| Gratuity commitments | (1,952) | 0 | (1,952) |
| Constructive obligations | (50,395) | 0 | (50,395) |
| | <u>20,406</u> | <u>80</u> | <u>20,486</u> |

19. Comparative Unrestricted funds of the Group and Charity 2015/16

| | Balance at 1 July 2015 | Income | Expenditure | Gains and Transfers | Movement in obligation | Balance at 30 June 2016 |
|---------------------------------|------------------------|---------------|----------------|---------------------|------------------------|-------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Designated funds | | | | | | |
| Residential homes | 10,664 | 1,163 | (388) | 313 | 0 | 11,752 |
| Total designated funds | <u>10,664</u> | <u>1,163</u> | <u>(388)</u> | <u>313</u> | <u>0</u> | <u>11,752</u> |
| General funds | 10,480 | 11,179 | (8,583) | 1,113 | (5,535) | 8,654 |
| Total unrestricted funds | <u>21,144</u> | <u>12,342</u> | <u>(8,971)</u> | <u>1,426</u> | <u>(5,535)</u> | <u>20,406</u> |

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.

An unrestricted legacy has been left to the GWT, which was prompted by, but not restricted to the residential homes programme. In 2015/16 £1,163,000 was received from this legacy, which the trustees designated for costs relating to the residential homes.

Trustees took the prudent precaution in 2011-12 of creating a designated fund to

cover the running costs of the homes for the next twenty years so that the homes would not be a drain on other activities. The transfer of £313,000 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.

| | Balance at 1 July 2015 | Income | Expenditure | Transfers between funds | Balance at 30 June 2016 |
|----------------------------------|---------------------------|--------|-------------|----------------------------|----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| a. Grants to individuals: | | | | | |
| Welfare pensions | 0 | 1,010 | 1,010 | 0 | 0 |
| Winter allowance | 0 | 84 | 84 | 0 | 0 |
| | 0 | 1,094 | 1,094 | 0 | 0 |
| b. Medical: | | | | | |
| Gurkha 200 Appeal | 705 | 56 | 761 | 0 | 0 |
| Medical | 0 | 42 | 42 | 0 | 0 |
| | 705 | 98 | 803 | 0 | 0 |
| c. Residential homes: | 27 | 0 | 27 | 0 | 0 |
| d. Disaster response: | 2,139 | 2,880 | 5,019 | 0 | 0 |
| e. Water projects: | | | | | |
| Water projects - DFID | 0 | 2,050 | 1,986 | 0 | 64 |
| Water projects - other | 0 | 1 | 1 | 0 | 0 |
| | 0 | 2,051 | 1,987 | 0 | 64 |
| f. Schools projects: | | | | | |
| Neal Turkington Fund | 67 | 4 | 55 | 0 | 16 |
| Schools | 0 | 162 | 162 | 0 | 0 |
| | 67 | 166 | 217 | 0 | 16 |
| g. Other grants: | | | | | |
| Vehicles & equipment | 0 | 3 | 3 | 0 | 0 |
| MOD Grant in Aid | 0 | 1,650 | 1,650 | 0 | 0 |
| KAAA | 0 | 77 | 77 | 0 | 0 |
| | 2,938 | 8,019 | 10,877 | 0 | 80 |

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. A special appeal was launched in 2015, the 200th year of service by the Brigade of Gurkhas to the British Crown, to enable us to expand our mobile medical services to those in need in the remote communities of Nepal.

B. MEDICAL

An appeal during the 200th anniversary of the Gurkhas serving in the British Army was specifically to raise funds for the expansion of the field medical service.

C. RESIDENTIAL HOMES

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

D. DISASTER RESPONSE

Following the disastrous earthquakes in Nepal in April 2015 an appeal was launched to enable us to help individuals and communities in the affected areas.

E. WATER PROJECTS

DFID award a grant for the rural water

and sanitation programme.

F. SCHOOLS PROJECTS

A memorial fund in memory of Neal Turkington, lost in action while serving in Afghanistan, continues to raise funds to build schools. Several charitable trusts have also sponsored the rebuilding of schools.

G. OTHER GRANTS

The MOD Grant-in-Aid is provided to support the administration and infrastructure costs of the GWS while Kadoorie Agricultural Aid Association (KAAA) are funding the medical camps.



www.gwt.org.uk