

THE PORTLAND TRUST
(Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)

ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS

Company number	4699155
Registered charity number	1106429
Governing document	Memorandum and Articles of Association
Trustees	Sir R Cohen (Chairman) Sir H Solomon Sir M Gilbert Lord Freud
Managing Director	Nicola Cobbold
Company Secretary	S Higgins
Registered office	42 Portland Place London W1B 1NB
Auditors	HLB Vantis Audit plc 66 Wigmore Street London W1U 2SS
Bankers	HSBC Bank plc 196 Oxford Street London W1D 1NT
Solicitors	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH

THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)

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THE PORTLAND TRUST (COMPANY LIMITED BY GUARANTEE)

TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (Including the Directors Report)

The Trustees, who are also the directors of the Charity for the purposes of the Companies Act, present their annual report and financial statements for the year ended 31 December 2009.

OBJECTS OF THE CHARITY AND PUBLIC BENEFIT

The charitable company was incorporated on 17 March 2003 and gained charitable status on 26 October 2004. The Portland Trust is a non-political organisation which is committed to driving initiatives that promote economic development, moderation and the resolution of conflict in the Middle East in particular the Israeli-Palestinian conflict.

The objects of the Charity are for such exclusively charitable purposes for the benefit of the public in any part of the World as the Trustees may in their absolute discretion think fit.

TRUSTEES

The Trustees who served during the year were as follows:-

Sir R Cohen
Sir H Solomon
Sir M Gilbert
Lord Freud

The Trustees of the charity have control of the Charity and its property and funds. The first Trustees were Sir Ronald Cohen and Sir Harry Solomon. Unless otherwise determined by ordinary resolution, the number of Trustees shall be subject to a maximum of ten and shall not be less than two. Trustees may be individuals or bodies corporate.

Every Trustee shall sign a declaration of willingness to act as a charity trustee before being eligible to vote at any meeting of the Trustees. One third (or the number nearest to one third) of the Trustees shall retire at each Annual General Meeting, those in office retiring first and the choice between any of equal service being made by drawing lots unless they otherwise agree among themselves.

The members shall be entitled to appoint one or more Trustees (including themselves), to remove any Trustee so appointed and to appoint another Trustee in place of any Trustee so appointed who for any reason ceases to be a Trustee. A retiring Trustee shall not be eligible for reappointment unless such reappointment is approved by the Trustees.

TRUSTEE TRAINING

All of the Trustees are experienced in charity matters and therefore no formal training takes place. When new issues and developments come to light the Trustees are made aware of these matters at their next meeting. Any new Trustee would be expected to have the same level of experience and knowledge as the existing Trustees.

FINANCIAL REVIEW

As detailed in the Review of Activities and the notes to the accounts, The Portland Trust has driven and contributed to a number of initiatives. Sufficient income has again been secured to meet all of our commitments and the small deficit for the year merely reflects spending of income received during last year. At 31 December 2009 we have a very liquid balance sheet, which helps to secure our plans to promote economic stability in the Middle East into 2010 and beyond.

ORGANISATIONAL STRUCTURE

The Trustees, who provide their services free of charge, are based in London. The Portland Trust has offices in London, Tel-Aviv and Ramallah. Nicola Cobbaid runs the organisation from the London office where there are four employees. The Tel-Aviv office, where there are four members of staff, was opened in June 2005 and is managed by Brig Gen (res) Eival Gilady. The Ramallah office was opened in April 2006, has six members of staff, and is under the chairmanship of Samir Hulleh.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

REVIEW OF ACTIVITIES

Affordable Housing Programme

The Portland Trust, working closely with the Palestinian private sector and the Palestinian Authority (PA), designed and initiated in 2006 a \$1bn initiative to build 16,000 affordable housing units in new communities across the West Bank by 2013. The initiative will create thousands of new jobs, increase GDP by 1.5% per annum for five years and improve the lives of over 200,000 Palestinians. The units will be affordable to Palestinians on a monthly household income of \$900 - \$1,500 (approximately a third of all Palestinians).

In support of these efforts, international architects – AECOM – designed a generic masterplan for a new Palestinian town that addressed some of the difficulties arising from the steep topography. Affordable Housing was presented as a key priority in the Palestinian Reform and Development Plan at the Paris Donor conference in December 2007. New affordable housing developments need international support to fund the internal and external infrastructure and public facilities. These costs are estimated at approximately 15% of the total. Grant funding is essential to reduce the financial risk to the banks involved and to keep the housing units affordable.

The first Affordable Housing projects (Al Rasehan with 2,000 homes and Rawabi with 5,000 homes) were announced at the Palestine Investment Conference in Bethlehem in May 2008. The cornerstone of the Al Rasehan neighbourhood, a development backed by the Palestine Investment Fund through Amaar Group, was laid on 29 June 2009 by President Mahmoud Abbas. The first phase of construction of 228 units began in 2010. The Rawabi developers, Bayti Real Estate Investment Company, appointed AECOM to lead the design phase. They secured approvals in the first half of 2009 for the 5,000 unit masterplan from the relevant Palestinian authorities for planning, construction and the provision of essential services to the sites.

Progress was also made on some smaller projects, including the launch of another Amaar Group development, Al Jinan, a 1,000 unit neighbourhood outside Jenin. The Palestine Real Estate Investment Company (PRICO) and the Union Construction and Investment Corporation (UCI) have plans to develop affordable neighbourhoods in the Ramallah area. The developers Byder are seeking approvals for infrastructure and access from the Palestinian and Israeli authorities for 1,200 homes outside Nablus. The Portland Trust co-financed a demand survey for the Nablus project in 2009.

The Portland Trust has promoted the Affordable Housing Programme internationally and approached donors, including the EC, the World Bank and the governments of Italy, Sweden, France, UK, US and Canada, for infrastructure funding. Connections have been made between potential international investors and the Palestinian developers. The Palestinian Authority and Government of Israel were approached to issue the necessary permits and approvals.

Research to support the development of the policy environment was commissioned by The Portland Trust and presented to the Palestinian Authority in 2009. This included analysis of the demand and affordability of new housing, a briefing note on the legal requirements for housing finance and a review of the mortgage situation. The Palestine Economic Policy Research Institute (MAS) conducted the review which was published in Autumn 2009. It made a number of recommendations including legal and institutional reforms, measures to reduce construction costs for affordable units, raising awareness about mortgages and developing infrastructure. The Portland Trust also funded local planning experts from An-Najah University to work with the Ministry of Housing to design a new system for assessing private sector housing initiatives and their publicly funded infrastructure requirements.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Financial Infrastructure

Grant Leveraging Facility

The Portland Trust has designed a new mechanism, the Palestinian Grant Leveraging Facility (PGLF), specifically to help finance private sector projects that generate significant development benefits. In light of pressure on aid budgets at a time of contraction in credit markets, and given the urgent need for sustainable growth and job creation in the Palestinian economy, we believe this is a crucial new instrument for donors to use.

The PGLF will boost the private sector's ability to attract finance, by making available at the outset of a project a grant equivalent to 15% of the total investment, through innovative risk-sharing revolving mechanisms. \$250m of aid used in this way would attract \$1.5bn of investment from the private sector, with very significant impact on the Palestinian economy's growth and development.

The concept has been welcomed by the Palestinian private sector, by the Palestinian Authority and by international entities. Discussions on the structuring with the assistance of international law firm Norton Rose Group continue alongside development of an initial pipeline of projects.

The Galilee Loan Guarantee Programme

The Portland Trust partnered with the Koret Israel Economic Development Fund (KIEDF) and the United Jewish Israeli Appeal (UJIA) in a three-year programme, starting in 2006, to establish a loan guarantee programme. The aim was to facilitate economic development and job creation for all the population of Northern Israel. Over the three year period the programme made over 600 loans, totalling \$15m (NIS 67m). Approximately 3,200 jobs were created across a range of sectors including tourism and manufacturing. Eival Gilady became the Chairman of Koret in 2007.

Palestinian Loan Guarantee Schemes

The Portland Trust, the Aspen Institute, the US Overseas Private Investment Corporation (OPIC) and the Palestine Investment Fund (PIF) collaborated to design a Palestinian loan guarantee facility to encourage banks to extend credit and boost the provision of affordable finance for Palestinian small and medium enterprises. A \$160m facility was launched in July 2007, with \$50m from PIF and \$110m from OPIC. The scheme guarantees loans up to a total of \$228m. Loans from \$10,000 to \$500,000 are backed by a 70% guarantee. By the end of 2009 just under \$47m of loans to SMEs had been guaranteed, creating an estimated 3,000 jobs. The scheme targets a range of businesses and plans to establish a technical assistance programme to help banks market their financial products more successfully. Samir Hultieh sits on the Loan Guarantee's advisory board working to maximise its impact. The Portland Trust contributed financially to the scheme's running costs in 2008.

The Portland Trust also engaged the European Union in providing loan guarantees. The European Investment Bank and European Commission jointly provided an additional €24m for loan guarantees which was combined with €6m of funding from the German Development Bank, KfW. The €28m European Palestinian Credit Guarantee Fund was launched in 2006. By the end of 2009, EPCGF had approved 1,205 loan guarantees covering a total loan portfolio of approximately €35m.

Private Sector Pensions

Draft legislation for a new Palestinian private pension system was submitted to the Palestinian Prime Minister in November 2008. In preparation for Cabinet approval significant efforts were made to coordinate the efforts of the private sector throughout 2009 and raise awareness about the importance of the new private sector pension system with the World Bank. The World Bank, through its FIRST initiative, submitted draft regulations for the new system to the CMA in September 2009.

The Portland Trust continues to promote the establishment of a pilot pension investment company with local Palestinian businesses and the former head of the Capital Markets Authority (CMA).

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Microfinance

The Portland Trust partnered PiaNet Finance from 2006 – 2009 to re-establish the Palestinian Network for Small and Microfinance Institutions (Sharakeh) and help build capacity in the microfinance sector. A grant of €780,000 from the European Union was secured to complement the €550,000 provided by the partners. The Microfinance Network was successfully established and now offers training, back-office and marketing services to its members.

In 2009 The Portland Trust also covered the costs of hiring an Operations Manager for the Network and advised the network on operational and structural changes to improve its effectiveness. Over the three year period it is estimated that an additional 70,000 people benefited from microfinance.

Social Investment

The Portland Trust, in conjunction with KIEDF, has established a steering committee to develop a Roadmap for the creation of a social investment funding institution in Israel. The committee consists of the Head of the National Economic Council of the Prime Minister's Office, the former Director General of the Ministry of Finance, the Dean of the Tel Aviv University Business School, representatives of the Ministry of Finance and others. A number of directions are being explored including: case studies of community investment funds from different countries; effective financial tools for social investment; potential beneficiaries; and income sources. The overall aim of this social investment funding institution is to encourage the flow of capital to social organisations operating in under-invested Israeli communities.

Training and Entrepreneurship

'On the Way to Business' in the Galilee

In partnership with the Ministry of Trade and Industry, Joint Development Committee (JDC) and MATI business development centres, The Portland Trust launched a programme in 2009 to provide the basic training and tools to develop entrepreneurs from villages in the Galilee region where there are a lack of opportunities. The aim is to launch 7 business development courses over two years, creating at least 70 new businesses.

Tsofen

The Portland Trust continues to support the Tsofen 'High Technology Centers' project. Tsofen aims to accelerate and increase the level of Israeli Arab university graduate participation in the Israeli hi-tech industry. Tsofen opened an Arab-Jewish Research and Development centre in the Galilee in 2008 to provide software development services to Israeli companies. To date, Tsofen has successfully placed 80 graduates in Israeli companies as well as developing partnerships with a number of hi-tech firms in Israel and providing consulting services to local municipalities.

Corporate Leadership Programme

Research carried out by The Portland Trust in 2009 suggested that the Palestinian private sector's leading companies would benefit significantly from, and are very interested in, access to international training and know-how at a senior level. To meet this need The Portland Trust designed a programme to bring international business leaders and corporate experts to the Palestinian Territory to coach senior executives.

Technical Assistance

The Portland Trust funded local experts to work with the Ministry of National Economy to upgrade their systems for working with the private sector. All the reforms recommended have been adopted by the Ministry.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Trade and Investment

Gaza Private Sector Rapid Recovery

2009 was a difficult year for the private sector in Gaza. The Portland Trust continued its work through a Gaza-based consultant to develop a private sector rapid recovery programme for donors and investors to support. The programme is considering two scenarios – viable projects that could be started under the current conditions, and a longer term recovery programme that can be put in place when conditions allow. The recovery programme will set out a clear strategy on the level and type of investment required in those sectors with potential. It will also recommend financing options and mechanisms to get the private sector back on its feet.

The Portland Trust signed a contract with a local Gaza based consultant to manage the project on the Trust's behalf, coordinating with Palestine Federation of Industries (PFI) and the Palestine Agricultural Relief Committee (PARC). The plan will be presented to the Palestinian Authority, United Nations Agencies, international investors and other interested parties.

Political Risk Insurance

The Portland Trust provided funding for the development of a Palestinian political risk insurance project in 2008. The project was launched by the Center for American Progress and the Middle East Investment Initiative (MEII) in May 2008 in Bethlehem. The insurance product will be designed to reduce the political risks involved in trading to and from the Palestinian Territory and allow companies to take advantage of commercially attractive investment opportunities. The Portland Trust offices in Tel Aviv and Ramallah continued to provide operational support to the project throughout 2009.

Tourism

The Portland Trust represented the private sector in setting up a public-private partnership with the Palestinian Ministry of Tourism to promote Palestine as a tourist destination. We provided technical and financial assistance to the private sector to create the Palestinian Tourism Board and helped draft an operational plan, first year budget and bylaws for the Board. These were submitted to the Prime Minister's office in June 2009.

Israeli-Palestinian Chamber of Commerce

The Israel Federation of Bi-National Chambers of Commerce and Industry, the Peres Center for Peace, The Portland Trust and others established the Israeli-Palestinian Chamber of Commerce (IPCC) in Tel Aviv in 2008. It is intended that a Palestinian counterpart will be established in due course. Eivai Gilady was appointed Chairman of the Chamber. The IPCC is promoting business opportunities, trade and cooperation between Israelis and Palestinians. The Portland Trust provides funding and office space for the IPCC in Tel Aviv.

The first Chamber B2B event was organised with Palestinian and Israeli businessmen as well as officials from the Israeli Port Authority in February 2009. The IPCC held its first annual dinner in May 2009. Tony Blair was keynote speaker and the event was attended by over 300 people. Also in 2009, the IPCC set up a Breakfast Club lecture series for members to meet with prominent Palestinian business people, organised joint events with other chambers and visited London and Paris to meet with local government officials.

Moon Valley Agricultural Exports

The Moon Valley project is a British-Palestinian initiative to give Palestinian growers in the Jordan Valley access to the UK leading supermarkets of Sainsbury's, M&S, Co-op and Waitrose. It is supported by the Palestinian British Business Council, The Portland Trust, Oxfam and others. The first shipment of Palestinian herbs arrived in the UK in December 2009. 1 tonne of herbs is now shipped each week. There are plans to expand the range of products and suppliers and volume of exports next year. By 2013 it is estimated that £10m of produce could be exported to the UK. The Portland Trust is providing office space and covering the costs of a locally based consultant to coordinate the project in the West Bank.

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TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Handicrafts

In 2009, The Portland Trust, in partnership with CHF, Paltrade and the Palestine Federation of Industries conducted a feasibility study into the establishment of Palcraft – a commercially driven organisation offering marketing and design services and promotion of Palestinian handicrafts products in international markets. Previously, in 2007, The Portland Trust commissioned a market study to identify the handicraft products that have a competitive edge and international appeal. This followed inquiries from large US retailers about stocking Palestinian handicrafts.

Publications, Research and Events

Palestinian Economic Bulletin

The Portland Trust publishes a monthly "Palestinian Economic Bulletin" that covers economic developments in the Palestinian Territory. Regular subjects include fiscal issues; the consumer price index; movement of goods and people; the Palestinian stock market; and significant business transactions as well as the level of economic activity and unemployment. The bulletin is distributed to over 2,500 international and local contacts.

In 2009 The Portland Trust published two interviews alongside the Bulletin. The first, in June was with the Minister of National Economy, Dr. Bassam Khoury. The second was with his successor, Dr. Hasan Abu-Libdeh, upon his appointment in December.

Economics and Peace Making

In March 2009, The Portland Trust published a study entitled 'Economics and Peacemaking: Lessons from Bosnia and Herzegovina' which reviewed important economic lessons of post-conflict Bosnia and Herzegovina, in particular the failure to develop the local private sector. The paper was delivered to over 2,000 international opinion makers. Given the mission of The Portland Trust it is hoped that some of the lessons learned may prove useful in the Middle East.

All papers are available to download on our website: www.portlandtrust.org

International Institute for Strategic Studies (IISS)

The Portland Trust partnered with the IISS in a one year programme entitled 'Economics and Conflict Resolution.' The inaugural event was held in Washington in May 2009 and attended by senior practitioners, academics and officials. In September a breakout session was held at the Global Strategic Review in Geneva followed by a second roundtable discussion on 30 September 2009 in London. The IISS will publish three seminal pieces on the subject in 2010 – two Adelphi books and a Survival article.

Conferences and Events

The Portland Trust Chair and Senior Executives supported and participated in a number of high-profile conferences throughout the year. This included the Herzliya Conference (February 2009), a Business of Peace event at Harvard (April 2009), the IISS Global Strategic Review (September 2009), the ten year anniversary of the European Israel Berlin Dialogue in Israel (October 2009), the Israeli President's Conference (October 2009) and the Palestine International Business Forum in Sweden (October 2009). The Portland Trust's message at all these events was that economics represent a powerful practical tool in conflict resolution.

THE PORTLAND TRUST (COMPANY LIMITED BY GUARANTEE)

TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

FUTURE DEVELOPMENTS

The Portland Trust is continuing to work on the aforementioned initiatives. In addition we are looking at the following new projects and activities for 2010.

Affordable Housing Programme

The development of affordable housing continues at pace. The Portland Trust continues to promote the Affordable Housing Programme internationally, with donors and the business community, and provides assistance where needed. Groundbreaking of Rawabi took place in January 2010 and final approvals for the access road were secured in May 2010.

The results of the work to design a new assessment mechanism for private sector housing projects were formally presented to the Ministry of Housing in Spring 2010. It included a study on the current planning situation, a set of criteria to assess new projects, bidding forms for developers to complete, guidelines for staff with a clear process to follow and all the accompanying technical documents which the Ministry required to implement the new approach. Training was provided to staff in the Ministry on how to use the technical assessment mechanisms. The Ministry has subsequently integrated the material into its bidding process with developers. The Ministry is currently testing the mechanism on a housing project for PA employees and plans to roll it out across the board for all new housing projects.

Grant Leveraging Facility (PGLF)

The development of the PGLF will continue in 2010. The Norton Rose Group will advise on the legal structure of the fund following a locally held workshop with interested parties. The pipeline of projects will be expanded and further developed. The Portland Trust will promote the PGLF with the international community.

Corporate Leadership Programme

The Corporate Leadership Programme for senior Palestinian executives was launched in February 2010 with a session in Jericho on Mergers and Acquisitions. Experts from international firms and business schools are conducting the training, which also includes high profile guest speakers. A second session on private equity and venture capital took place at the end of May. There will be four sessions in total, covering a range of business strategy, finance and leadership topics.

The Negev Loan Guarantee Project

Koret Israel Economic Development Funds (KIEDF) has secured a \$10m second-loss bank guarantee from the Overseas Private Investment Corporation (OPIC) to leverage nearly \$150m of bank financing over 7 years. The project was launched in January 2010 and 3,600 small businesses in Israel's Negev and Gilboa regions will benefit. Loans of \$12,500 to \$300,000 will be available for small and medium sized businesses with potential for job creation. The first loans were made in March 2010. The Portland Trust is financially supporting this initiative.

Palestine Securities Exchange

The Portland Trust helped organize the Palestine Securities Exchange (PSE) road show in London on 17-19 March 2010. The Palestinian delegation of 32 business and finance professionals included CEOs from Palestinian business companies such as Palfel, Padico, Al Quds Bank, Massar, Birzeit Pharmaceuticals and the Palestine Electric Company alongside senior representatives from the PSE, the Capital Markets' Authority and the Palestine Investment Fund. During the three days the delegation had over 30 B2B meetings with some of the largest international investment funds in emerging markets and the Middle East as well as the London Stock Exchange. Lord Freud, trustee and former CEO of The Portland Trust, welcomed the Palestinian delegation and approximately 150 guests from the London financial sector and economic institutions to the main seminar of the road show.

THE PORTLAND TRUST (COMPANY LIMITED BY GUARANTEE)

TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Regional Infrastructure Trunk Council (RITC) and Grant Leveraging Facility (GLF)

Given the geography of the Palestinian Territory, infrastructure must be planned with neighbouring countries. The Portland Trust has developed and introduced a structure to coordinate and develop regional infrastructure between Israel, Egypt, Jordan and the Palestinian Territory – RITC – which can be implemented once the situation allows. The Portland Trust believes that RITC will provide an effective means of planning the infrastructure required, boosting employment and accelerating development of the Palestinian economy. The principles and mechanism of RITC will be incorporated into the design of the GLF.

Private Equity/Venture Capital

A number of Palestinian entrepreneurs have announced their intentions to develop the local venture capital and private equity industries. The Portland Trust is supporting the development of the industry using its inhouse expertise and contacts.

Agribusiness

Agriculture was once a mainstay of the Palestinian economy, contributing to over 10% of GDP. Yet today agriculture is less than 5% of GDP. After supporting the development of Moon Valley in 2009 The Portland Trust is seeking to leverage the skills of international experts TechnoServe to identify specific high-return investment opportunities for the Palestinian agriculture sector.

Tourism

There is increased focus on the potential of developing a regional approach to tourism, through coordination of the Israeli and Palestinian private sector. The Portland Trust is involved in a wider effort to develop a strategy for the sector, which is being led by the Office of the Quartet Representative alongside specialist consultants Monitor.

INVESTMENT POLICY

The Trustees have a policy of keeping any surplus liquid funds on short-term deposit which can be accessed readily to enable the Trust to respond to project needs.

RESERVES POLICY

The Trust carries out a blend of both long term and short term projects. The Trustees have examined the requirement for free reserves which are those unrestricted funds not designated for specific purposes or otherwise committed. The Trustees consider that free reserves should be sufficient to cover approximately three months of regular operational expenditure which equates to £350,000. In the light of prospective donations, the free reserves as at the year end are considered adequate for this purpose and to carry out appropriate projects going forward.

SOCIAL INVESTMENT POLICY

Working with local and international partners, The Portland Trust makes grants to develop the private sector in the Palestinian Territory and the Israeli periphery, mobilising additional resources and support where necessary.

In addition to making grants directly to beneficiaries, The Trust also makes loans or investments through Programme Related Investment where this is consistent with the Trust's charitable purposes and mission. In particular, The Trust supports Programme Related Investment in disadvantaged communities in Israel and the Palestinian Territory, where grants or loans to, or investment in, the private sector, focusing on financial and physical infrastructure, trade, training and entrepreneurship, can be harnessed for the benefit of the community. Whilst full repayment of any Programme Related Investment is expected, such investment is in the furtherance of the Trust's objectives and not solely for its income potential, and therefore The Trust expects lower returns (if any) than from normal investment. The Trustees recognise the risk that such loans or investments may not be repaid or repayment may not be made for many years.

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**TRUSTEES REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

SOCIAL INVESTMENT POLICY continued

All Programme Related Investment is monitored regularly by the Trustees to ensure that funds once invested continue to be used in furtherance of approved activities. The Social Investment Policy will be reviewed annually or if there are significant changes in The Trust's commitments or activities.

RISK ASSESSMENT

The Trustees have identified and assessed the major risks to which the Charity may be exposed and have taken the necessary steps to monitor and control these risks to mitigate any impact they may have on the Charity.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing HLB Vantis Audit plc be reappointed as auditors of the company will be put to the next General Meeting.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Company law requires the Trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year.

In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 Charity will continue in business.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Sir R. Cohen
Trustee

23 June 2010



Sir H. Solomon
Trustee

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE PORTLAND TRUST**

We have audited the financial statements of The Portland Trust for the year ended 31 December 2009 set out on pages 11 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of Trustees Responsibilities set out on page 9, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

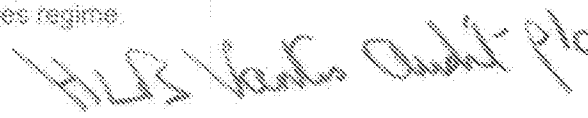
In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to prepare the financial statements and the Trustees' report in accordance with the small companies regime.

Richard Limburg, Senior Statutory Auditor
For and on behalf of HLB Vantis Audit plc
Chartered Accountants
Registered Auditor



23 June 2010

66 Wigmore Street
London W1U 2SS

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**STATEMENT OF FINANCIAL ACTIVITIES
(including the Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Unrestricted funds £	Restricted funds £	Total 2009 £	Total 2008 £
Incoming resources					
Voluntary income	3	1,354,848	188,000	1,542,848	1,749,070
Investment income	4	9,250	-	9,250	17,582
Total incoming resources		1,364,098	188,000	1,552,098	1,766,652
Resources expended					
Charitable activities		1,377,325	188,000	1,565,325	1,588,198
Governance costs		42,782	-	42,782	14,253
Total resources expended	6	1,420,107	188,000	1,608,107	1,602,451
Net (outgoings)/incoming resources	5	(56,009)	-	(56,009)	166,201
Funds brought forward		675,177	-	675,177	508,976
Funds carried forward		619,168	-	619,168	675,177

- All transactions are derived from continuing activities.
- All recognised gains and losses are included in the statement of financial activities.
- the Notes on pages 13 to 18 form part of these financial statements.

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**BALANCE SHEET
AS AT 31 DECEMBER 2009**

	Notes	£	2009 £	2008 £
Fixed assets				
Tangible fixed assets	8		74,492	66,306
Investments	9		5	6
			<u>74,497</u>	<u>66,311</u>
Current assets				
Debtors	10	25,021		66,657
Bank and cash balances		590,242		696,091
		<u>615,263</u>		<u>762,748</u>
Creditors: amounts falling due within one year	11	(62,218)		(166,608)
			<u>553,045</u>	<u>597,140</u>
Total assets less current liabilities			<u>627,542</u>	<u>683,451</u>
Creditors: amounts falling due in more than one year	12		(8,374)	(8,274)
			<u>619,168</u>	<u>675,177</u>
Net assets			<u>619,168</u>	<u>675,177</u>
FUNDS				
Restricted funds	13		-	-
Unrestricted funds			619,168	675,177
	14		<u>619,168</u>	<u>675,177</u>

These financial statements were approved by the Board of Trustees on 23 June 2010 and signed on its behalf by:-


Sir R. Cohen
Trustee


Sir H. Solomon
Trustee

Company registration number 4699155

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention except for investments, which have been included at valuation, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" revised 2005 and applicable accounting standards.

1.2 Funds

Unrestricted funds are those which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

1.3 Fixed assets

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on a straight line basis using the following rates:

Computer equipment – 25%/33%

Fixtures and fittings – 10%/15%/20%

1.4 Incoming resources

Donations are included in the Statement of Financial Activities in the year in which they are receivable, which is when the Charity becomes entitled to the resource.

Investment income by way of bank interest is accounted for on a receivable basis.

1.5 Resources expended

Charitable activities

Donations to charitable causes are accounted for as they are paid or when future donations have been committed in writing by the Trustees. The expenditure includes support costs directly related to the activity, including staff costs.

Governance costs

Governance costs are those incurred in connection with administration of the Charity and compliance with constitutional and statutory requirements.

Value Added Tax

Value added tax is not recoverable by the charity, and as such is included in the relevant costs.

Donated services

Expenditure met by the Trustees and donated services are not recognised in the accounts unless they are readily quantified.

1.6 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling on the balance sheet date. Transactions expressed in foreign currencies are translated into sterling at the average rate of exchange for the year. Any profit and loss arising from exchange differences is dealt with in the Statement of Financial Activities.

2 Taxation

The Charity is entitled to exemption from United Kingdom taxation under the Income and Corporation Taxes Act 1988.

THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3	Voluntary income					
				2009	2008	
				£	£	
	Cash donations			1,642,848	1,599,070	
	Donated services of CEO			-	150,000	
				<u>1,642,848</u>	<u>1,749,070</u>	
4	Investment income			2009	2008	
				£	£	
	Bank deposit interest			9,250	17,582	
				<u>9,250</u>	<u>17,582</u>	
5	Net movement in funds			2009	2008	
				£	£	
	Net movement in funds is stated after charging:					
	Auditors' Remuneration – UK auditors			7,950	8,166	
	Auditors' Remuneration – Overseas auditors			6,590	4,978	
				<u>14,540</u>	<u>13,144</u>	
6	Analysis of Resources Expended – include 2008 comparatives					
		Staff costs	Depreciation	Other	Total 2009	2008
		£	£	£	£	£
	Direct charitable expenditures					
	Project costs	724,114	-	368,993	1,093,107	1,117,416
	Support costs	-	31,738	440,480	472,218	468,782
	Governance costs					
	Accountancy	-	-	5,520	5,520	3,243
	Auditors remuneration	-	-	14,540	14,540	13,144
	Bank charges and interest	-	-	1,949	1,949	465
	Legal and professional	-	-	18,688	18,688	36,954
	Exchange rate differences	-	-	1,985	1,985	(39,553)
		<u>724,114</u>	<u>31,738</u>	<u>852,255</u>	<u>1,808,107</u>	<u>1,600,451</u>

THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Analysis of Resources Expended (continued)

Project grants over £5,000 made during the year included:

	2009 £	2008 £
Affordable Housing Programme	19,704	22,882
Aspen Institute (Loan Guarantee Scheme)	-	57,280
Boasia Publication	6,210	-
Israeli/Palestinian Chamber of Commerce	40,584	-
Exports Assessment	3,926	44,583
The Galilee Loan Programme (restricted repayment)	(68,182)	(57,219)
The Galilee Loan Programme (advance paid from restricted repayment)	68,182	-
Microfinance Initiative	(33,447)	10,556
Handicraft project	9,836	-
International Institute of Strategic Studies (restricted expenditure)	188,000	16,000
Israeli-Europe Berlin Dialogue	20,000	20,000
Moon Valley	5,000	-
Micro-entrepreneurs Training	-	23,689
Local Suppliers for Affordable Housing	1,603	12,162
On the Way to Business in the Galilee	16,234	-
Palestine Investment Conferences (Bethlehem and London)	-	62,860
Palestinian Economic Bulletin	45,653	41,702
Palestinian Trade Fair (London)	-	6,154
Palestinian Private Sector Pensions	4,801	7,562
Political Risk Insurance	-	26,880
Tourism	2,724	6,892
Prime Minister's Conference	-	8,108
Tecfen	32,468	38,659
	<hr/>	<hr/>

7 Staff costs

	2009 £	2008 £
Gross salaries	212,323	187,993
Social security costs	24,213	21,150
Donated services of CEO	-	150,000
Non UK staff costs	487,578	403,465
	<hr/>	<hr/>
	724,114	762,608
	<hr/>	<hr/>

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Staff costs (continued)

The number of staff whose emoluments (excluding VAT) amounted to over £60,000 in the year was as follows:

	2009 Number	2008 Number
£60,000 - £70,000	-	2
£80,000 - £90,000	1	-
£120,000 - £130,000	-	1
£150,000 - £160,000 (relates to notional value of unpaid CEO services)	-	1
£180,000 - £190,000	1	-
	-----	-----

The average number of staff of the Charity during the year was 15 (2008: 17), of which 4 (2008: 5) were employed in the UK.

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost would represent contributions payable by the charity to the fund. However, the scheme was inactive in 2008 and 2009. As such, there is no pension cost.

8 Fixed assets

	Computer equipment £	Fixtures And fittings £	Total £
Cost			
At 1 January 2009	42,783	92,792	135,575
Additions	7,923	12,003	19,926
	-----	-----	-----
At 31 December 2009	50,706	104,795	155,501
	-----	-----	-----
Depreciation			
At 1 January 2009	24,958	24,311	49,269
Provision	12,987	18,753	31,740
	-----	-----	-----
At 31 December 2009	37,945	43,064	81,009
	-----	-----	-----
Net book value			
At 31 December 2009	12,761	61,731	74,492
	-----	-----	-----
At 31 December 2008	17,825	68,481	86,306
	-----	-----	-----

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

9 Investments

	2009 £	2008 £
Apax Europe VII Founder LP - Cost	5	5

During 2007 The Portland Trust was offered the opportunity to acquire a private equity partnership interest in Apax Europe VII Founder LP at a cost of €5. Any distributions to the Trust arising in the future are entirely dependent on the performance of the Apax Europe VII Fund. There are no commitments or liabilities associated with this investment.

10 Debtors

	2009 £	2008 £
Other debtors	-	32,523
Prepayments	25,021	34,134
	<u>25,021</u>	<u>56,657</u>

11 Creditors: amounts falling due within one year

	2009 £	2008 £
Other creditors	25,137	41,521
PAYE and Social Security	7,457	6,023
Accruals	29,824	58,826
Microfinance Initiative	-	59,233
	<u>62,218</u>	<u>165,603</u>

12 Creditors: amounts falling due in more than one year

	2009 £	2008 £
Staff Severance Provision	8,374	8,274
	<u>8,374</u>	<u>8,274</u>

13 Restricted funds

	At 1 January 2009	Incoming Resources £	Resources Expended £	At 31 December 2009 £
Project funds (ISS)	-	188,000	188,000	-

**THE PORTLAND TRUST
(COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

14 Analysis of net assets between funds

	Unrestricted Funds £
Fixed assets	74,497
Net current assets	653,046
Long term liabilities	(8,374)

	619,169

15 Related party transactions

During the year, the charity received £938,000 (2008: £766,000) from The R and S Cohen Foundation, a charity of which Sir R Cohen is also a Trustee. The Heathside Charitable Trust, of which the Trustee, Sir H Solomon, is also a Trustee, donated £150,000 (2008: £150,000) to the charity during the year. The Trustee Lord Freud donated his time as CEO of the charity during 2008, for which a value of £150,000 was included in the accounts for that year.

Resources expended of £60,038 (2008: £62,526) were paid via recharges to Portland Place Capital Ltd. The expenditure was recharged at cost and often gained savings not otherwise available. The Chairman Sir Ronald Cohen is a shareholder of Portland Place Capital Ltd.

Breakdown of expenditure paid via recharges to Portland Place Capital Ltd

	2009 £	2008 £
Premises expenses	60,404	60,172
Travel and meeting costs	951	2,795
Office expenses	19,683	19,549
	-----	-----
	60,038	62,526
	-----	-----

At 31 December 2009 creditors included £13,668 (2008: £15,895) relating to Portland Place Capital Ltd. During the year The Portland Trust invested £nil (2008: £1) in Apax Europe VII Founder LP.

16 Trustees' remuneration

No remuneration was paid to the Trustees. One of the Trustees, Lord Freud, was the company's unpaid CEO in 2008, for whose services a valuation of £150,000 was included in the accounts to 31 December 2008 as a gifted service.

Expenses of £35 (2008: £344) were reimbursed to Lord Freud.

Expenses of £nil (2008: £1,060) were reimbursed to Sir Ronald Cohen.

17 Liability of members

The charity is constituted as a company limited by guarantee and has no share capital. The liability of the members is limited to the sum of £1 per member.