



The Portland Trust

**TRUSTEES' REPORT AND
FINANCIAL STATEMENTS
FOR THE PORTLAND TRUST
(a Company Limited by Guarantee)**

FOR THE YEAR ENDED 31 DECEMBER 2010

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	N Cobbold
Company Secretary	S Higgins
Registered office	42 Portland Place London W1B 1NB
Auditors	RSM Tenon Audit Limited 66 Chiltern Street London W1U 4JT
Bankers	HSBC Bank plc 196 Oxford Street London W1D 1NT
Solicitors	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 2010.

OBJECTS OF THE CHARITY AND PUBLIC BENEFIT

The Portland Trust 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 operating deficit for the year merely reflects spending of income received during last year. At 31 December 2010 we have a very liquid balance sheet, which helps to secure our plans to promote economic stability in the Middle East into 2011 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 Cobbold runs the organisation from the London office where there are four employees. The Tel-Aviv office, where there are five 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 four members of staff, and is under the chairmanship of Samir Hulileh.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF ACTIVITIES**Affordable Housing Programme**

In 2006 The Portland Trust, working closely with the Palestinian private sector and the Palestinian Authority (PA), designed and initiated a \$1bn initiative to build 15,000 affordable housing units in new communities across the West Bank by 2013. The initiative, which was officially launched at the Paris Donor Conference in 2007, has already created thousands of new jobs and overall is expected to increase GDP by 1.5% per annum for five years and improve the lives of over 200,000 Palestinians.

The first affordable housing projects (Al Reehan with 2,000 homes and Rawabi with 5,000 homes) were announced at the Palestine Investment Conference in Bethlehem in May 2008. The first phase of construction of 228 units at Al Reehan began in 2010. Groundbreaking of Rawabi took place in January 2010 and construction is now underway.

In 2009, to support the development of the Affordable Housing Programme, The Portland Trust 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. The results of this 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.

Financial Infrastructure**Private Sector Pensions**

In 2006 The Portland Trust commissioned Levant Consulting to review the status of existing private sector pension and provident fund schemes, to analyse international experience, and to recommend appropriate structures for a Palestinian system. Following publication of the study in August 2007, The Portland Trust then worked with public and private stakeholders to formulate implementing legislation to allow for the establishment of a new private pension system in the Palestinian Territory. The draft legislation was submitted to the Palestinian Prime Minister in November 2008. The proposed system is a multi-pillar pension system. The Government will set pension policy, the Capital Market Authority will set the regulations for the private pension system and the private sector – through a private pension company(s) – will collect contributions, maintain records, manage assets, and pay benefits.

Due to delays on the legislative agenda the draft legislation was not discussed by the Council of Ministers as planned in 2009. In 2010, in an attempt to reinvigorate the legislative process, the Bank of Palestine, in coordination with The Portland Trust, led a number of workshops and discussions with different stakeholders in the private sector. In November 2010 key high profile figures representing various sectors committed to push for the development of the private sector pension system. A local steering committee, consisting of representatives from the banks, the Private Sector Coordination Council, the Capital Market Authority, insurance union, legal advisors and The Portland Trust was established to coordinate the effort. Alongside these efforts The Portland Trust also coordinated, when necessary, with the World Bank and the Capital Market Authority on the development of appropriate accompanying regulation for the system.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF ACTIVITIES continued**Financial Infrastructure continued****Private Sector Grant Facility (PSGF)**

In 2009 The Portland Trust designed a new mechanism to help finance private sector projects that generate significant development benefits. The aim is to 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. It was suggested that \$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.

Several rounds of consultation in 2010 revealed strong support for the proposal from international entities, the Palestinian private sector and the Palestinian Authority. Discussions revealed that a \$100m facility, with minimum grant size of \$1m, would be appropriate in light of pressure on aid budgets and the size of Palestinian private sector projects. An initial pipeline of projects was, and continues to be, developed with the help of international and local advisers. This includes potential projects in Palestinian Industrial Zones. The international law firm Norton Rose Group are advising on the structuring of the fund.

Social Investment

In 2010 The Portland Trust, in conjunction with the Koret Israel Economic Development Fund (KIEDF), established a steering committee to develop a Roadmap for the creation of a social investment funding institution in Israel. The committee consisted 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 were explored including: case studies of community investment funds from different countries; effective financial tools for social investment, including the Social Impact Bond; potential beneficiaries; and income sources. The overall aim of the social investment funding institution is to encourage the flow of capital to social organisations operating in under-invested Israeli communities.

The Negev and Galilee Loan Guarantee Project

In 2009 KIEDF secured a \$10m second-loss bank guarantee from the Overseas Private Investment Corporation (OPIC) to leverage nearly \$150m of bank financing over 7 years. Subsequently, in January 2010, a loan guarantee project was launched to benefit 3,600 small and medium sized enterprises (SMEs) in Israel's Negev and Galilee regions. Loans of \$12,500 to \$300,000 are available for SMEs with potential for job creation. 92 loans were approved in 2010, totalling over \$11m. The Portland Trust is financially supporting this initiative.

Palestine Securities Exchange

The Portland Trust helped organise 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 bluechip companies such as Paltel, Padico, Al Quds Bank, Massar, Birzeit Pharmaceuticals and the Palestine Electric Company alongside senior representatives from the PSE, the Capital Market 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.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF ACTIVITIES continued**Training and Entrepreneurship****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.

Tsofen provides a three month full time training course to teach graduates how to use their skills in a work-like environment. In addition interview training is provided and Tsofen's network in the profession is used to find placements. To date, Tsofen has helped over 200 Arab graduates get employment with 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 share their experiences and coach senior executives.

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 conduct the training, which also includes high profile after-dinner guest speakers. A second session, on private equity and venture capital, took place at the end of May and a third session, on corporate governance, took place in early October 2010.

'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 is a lack of opportunities.

The aim is to launch seven business development courses over two years, creating at least 70 new businesses. The first course was completed in October 2010 and five businesses have already been established. These include a restaurant, beauty salon and authentic Druze bakery. A further four businesses are in the pipeline from the first course.

Junior Economists' Training

In 2010 The Portland Trust supported a six-month training programme for graduate economists in the Palestinian Territory. The Palestine Economic Policy Research Institute (MAS) conducted the programme and provided six graduates with the professional experience and technical training needed to develop their research and analysis skills to enable them to enter the workforce. The programme targeted new graduates in economics and began in July 2010.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF ACTIVITIES continued**Trade and Investment****Gaza Private Sector Rapid Recovery**

The Portland Trust continued its work to develop a programme to support the recovery of the private sector in the Gaza Strip despite the challenging circumstances. Two scenarios were considered – viable projects which could be started under the prevailing conditions, and a longer term recovery programme which can be put in place when conditions allow.

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). An initiative to develop local supply chains between agriculture and food processing plants was presented for consideration in summer 2010 and continues to be developed in light of the changing context on the ground. The results of analysis on the private sector in Gaza were published alongside the December edition of The Portland Trust's Palestinian Economic Bulletin.

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. Eival 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 IPCC held its Second Annual Dinner on 9 June 2010 with over 300 attendees including Israeli and Palestinian business people, ambassadors, foreign dignitaries and government officials. Every quarter the IPCC hosts a Breakfast Club lecture for members to meet Palestinian business people. The IPCC also organises visits to the West Bank for its members to explore business opportunities and facilitates B2B meetings between prominent Israeli and Palestinian business people.

Tourism

The Portland Trust has identified tourism as a sector with potential for growth. In 2009 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. Technical and financial assistance was provided to help create the Palestinian Tourism Board. A draft operational plan, first year budget and bylaws for the Board have been created. These were submitted to the Prime Minister's office in June 2009.

Since October 2010, in support of a wider effort to develop and promote a Holy Land Tourism Strategy, The Portland Trust has been working with a local consultant to create a blueprint for developing local Palestinian tourism through the private sector.

'Moon Valley' Agricultural Exports

Moon Valley is a social enterprise established in 2009 to help Palestinian farmers to profitably market their produce to leading retailers in the UK, Europe and the USA. 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 and over 1 tonne of herbs was shipped each week during the 2010 season. Plans to expand the range of products and suppliers and volume of exports are underway. By 2013 it is estimated that £10m of produce could be exported to the UK. The Portland Trust continues to provide office space and cover the costs of the locally based Moon Valley representative in the West Bank.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF ACTIVITIES continued**Trade and Investment continued****Agribusiness Supply Chains**

In 2010 The Portland Trust started working with TechnoServe, a large US non-profit with expertise in agriculture supply chain development, to design a programme that identifies investment opportunities for agribusiness in the West Bank and Gaza.

The programme, involving a team of local and international agricultural experts, will identify market failures across the Palestinian agribusiness sector and recommend very specific actions to improve the operations of the agri-based market system focused on priority products for export and local markets. Ultimately, the programme will result in action-oriented roadmaps for developing specific sub-sectors in agriculture as a way to bring economic development and job creation for smallholder farmers and rural communities.

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 2010 The Portland Trust published three special features alongside the Bulletin. The first, in February, promoted the Palestine Securities Exchange ahead of its London Roadshow in March. The second, in July, considered the renewable energy sector and its potential for growth. The third, in December, analysed the situation of the private sector in Gaza.

Economics and Peace Making

Following its publication of analyses on Northern Ireland (2007) and Bosnia Herzegovina (2009), The Portland Trust partnered with the International Institute for Strategic Studies (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 published a seminal article on the subject in the April-May 2010 edition of 'Survival' by Professor Mats Berdal and Nader Mousavizadeh entitled 'Investing for Peace: The Private Sector and the Challenges of Peacebuilding'. The findings of the programme were published in September 2010 in an Adelphi book entitled 'Ending Wars, Consolidating Peace: Economic Perspectives'.

Conferences and Events

The Portland Trust Chair and Senior Executives supported and participated in a number of high-profile conferences and events throughout the year. This included the Herzilya Conference (February 2010), a Business of Peace event at Harvard (April 2010), an OECD Conference on Tourism (October 2010) and a roundtable organised by the Harvard School of Social Science to discuss the supportive role of psychology in supporting economic development efforts and conflict resolution.

The Portland Trust's message at all these events was that economics is a powerful practical tool in conflict resolution alongside political progress and improved security.

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

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

FUTURE DEVELOPMENTS**Private Sector Grant Facility (PSGF)**

The development of the PSGF continues in 2011. Recently the Palestinian Authority (PA) has decided to include the PSGF in the list of projects for which it will be seeking support at the next donors meeting. At the PA's request The Portland Trust is engaging donors and the private sector to further the development of the proposal. The overall aim is to have a firm commitment of funding for the PSGF by the end of 2011.

Pensions

In February 2011 the Palestinian Minister of Labour confirmed his support for the development of a private sector pension system along the lines set out by The Portland Trust and the steering committee. At the request of the steering committee, The Portland Trust contracted an independent international consultant to conduct a final review of the legislation in spring 2011. Upon completion of this work the legislation will be re-submitted to the Palestinian Council of Ministers for approval. At the same time The Portland Trust are involved in the private sector's preparations to establish a pilot pension fund and the Capital Market Authority's efforts to develop the accompanying regulations.

Corporate Leadership Programme

Due to on-going demand, the Corporate Leadership Programme for senior Palestinian executives has been extended to 2011. Sessions in January and June focused on capacity building and investor relations. A further session, on global and Islamic finance is scheduled to take place in October. The Portland Trust is exploring how the programme can be expanded, with additional partners, beyond 2011.

Social Investment

The Portland Trust has begun the process of establishing a Social Investment Task Force (SITF) in Israel. This will be led by The Portland Trust Chairman Sir Ronald Cohen and its objectives will be to define and determine the course of action to reduce social gaps in Israel. It is expected that Social Impact Bonds will be a key part of the resulting strategy.

Tsofen

The Portland Trust continues to support Tsofen in 2011. There are plans to replicate the Tsofen model in Nazareth and establish an additional Tsofen centre in Kfar Qassem.

The Negev and Galilee Loan Guarantee Project

The volume of loans guaranteed through this project continues to grow in 2011, with over \$11m loans approved in the first quarter.

Tourism

The development of tourism continues. The Portland Trust is working alongside the Palestinian Ministry of Tourism, the Office of the Quartet, CARANA, Chambers of Commerce, Arab Hotels Association, HILTOA and other private sector groups as part of a wider effort. This involves the facilitation of greater international tourists, the improvement of the Bethlehem experience, the establishment of the Palestine Tourism Board and the development of a domestic tourism strategy. Efforts will be made to incorporate the strategy into the Palestine Tourism Board's operational plan once it is up and running and The Portland Trust will assist in the securing of investment for the development required.

'On the Way to Business' in the Galilee

The second and third courses launched in early 2011. A total of 35 women have now graduated from these courses, 8 of which have already established their own businesses. Additional courses are being planned for later in the year.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

FUTURE DEVELOPMENTS continued**Agribusiness**

The Portland Trust (in partnership with TechnoServe, Moon Valley and Oxfam GB) has continued its development of an agribusiness programme in 2011 and has sought to leverage its resources by engaging funding from the UK's Department for International Development (DFID). The Portland Trust contracted a local agricultural expert in early 2011 to conduct some initial analysis and consult with entrepreneurs and small farmers in the sector to obtain further understanding of the blockages to developing the sector. As part of this work field visits were conducted in the Jordan Valley and a workshop took place with the leading entrepreneurs and investors in the sector. A follow up visit with the project partners took place before the submission of a funding proposal in April 2011. The Palestinian Ministry of Agriculture confirmed that they will participate in the programme steering committee alongside the project partners and funders.

Funding was approved by DFID in June 2011 and the project was launched shortly after. It is a ten-week effort to analyse three agricultural value chains and products with the potential to drive job creation and growth in the Palestinian Territory.

The total cost of the project is \$150,000 with The Portland Trust providing \$10,000 towards the cost of a Gazan consultant as well as office space and logistical support for the team.

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 Portland 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 approximately £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 Portland 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 Charity 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 charity's objectives and not solely for its income potential, and therefore the charity 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.

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 Charity's commitments or activities.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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 487(2) of the Companies Act 2006, a resolution proposing RSM Tenon Audit Limited 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

STATEMENT OF DISCLOSURE TO AUDITORS

So far as the Trustees are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the Trustees have taken all the necessary steps that they ought to have taken as Trustees in order to make themselves aware of all relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



.....
Sir R Cohen
Trustee



.....
Sir H Solomon
Trustee

19th August 2011

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 2010 set out on pages 11 to 18. The financial reporting framework that has been applied in their preparation with 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.

In addition, we read all the financial and non-financial information on pages 1 to 9 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2010 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

Richard Limburg, Senior Statutory Auditor
For and on behalf of RSM Tenon Audit Limited
Statutory Auditor

RSM Tenon Audit
19/12/2011
66 Chiltern Street

STATEMENT OF FINANCIAL ACTIVITIES
 (including the Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2010

		Unrestricted funds	Restricted funds	Total 2010	Total 2009
	Notes	£	£	£	£
Incoming resources					
Voluntary income	3	1,464,570	53,000	1,517,570	1,542,848
Investment income	4	-	-	-	9,250
Total incoming resources		<u>1,464,570</u>	<u>53,000</u>	<u>1,517,570</u>	<u>1,552,098</u>
Resources expended					
Charitable activities		1,416,431	53,000	1,469,431	1,565,325
Governance costs		49,894	-	49,894	42,782
Total resources expended	6	<u>1,466,325</u>	<u>53,000</u>	<u>1,519,325</u>	<u>1,608,107</u>
Net (outgoings) resources	5	(1,755)	-	(1,755)	(56,009)
Funds brought forward		<u>619,168</u>	<u>-</u>	<u>619,168</u>	<u>675,177</u>
Funds carried forward		<u>617,413</u>	<u>-</u>	<u>617,413</u>	<u>619,168</u>

- 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.

**BALANCE SHEET
AS AT 31 DECEMBER 2010**

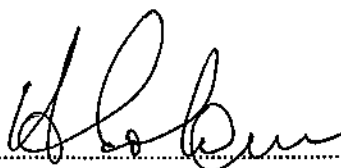
	Notes	£	2010 £	£	2009 £
Fixed assets					
Tangible fixed assets	9		71,813		74,492
Investments	10		5		5
			<hr/>		<hr/>
			71,818		74,497
Current assets					
Debtors	11	27,359		25,021	
Bank and cash balances		657,127		590,242	
		<hr/>		<hr/>	
		684,486		615,263	
Creditors: amounts falling due within one year	12	(128,449)		(62,218)	
		<hr/>		<hr/>	
Net current assets			556,037		553,045
Total assets less current liabilities			<hr/>		<hr/>
			627,855		627,542
Creditors: amounts falling due in more than one year	13		(10,442)		(8,374)
			<hr/>		<hr/>
Net assets			617,413		619,168
			<hr/>		<hr/>
FUNDS					
Restricted funds	14		-		-
Unrestricted funds			617,413		619,168
			<hr/>		<hr/>
			617,413		619,168
			<hr/>		<hr/>

These financial statements were approved by the Board of Trustees on 19th August 2011 and signed on its behalf by:-



Sir R Cohen
Trustee

Company registration number 4699155



Sir H Solomon
Trustee

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

3	Voluntary income				2010	2009
					£	£
	Cash donations				1,517,570	1,542,848
4	Investment income				2010	2009
					£	£
	Bank deposit interest				-	9,250
5	Net movement in funds				2010	2009
					£	£
	Net movement in funds is stated after charging:					
	Auditors' Remuneration – UK auditors				7,565	7,950
	Auditors' Remuneration – Overseas auditors				7,060	6,690
					14,625	14,640
6	Analysis of Resources Expended					
		Staff costs	Depreciation	Other	Total 2010	2009
		£	£	£	£	£
	Direct charitable expenditure					
	Project costs	709,899	-	304,393	1,014,292	1,093,107
	Support costs	-	20,833	434,306	455,139	472,218
	Governance costs					
	Accountancy	-	-	5,640	5,640	5,520
	Auditors remuneration	-	-	14,625	14,625	14,640
	Bank charges and interest	-	-	3,210	3,210	1,949
	Legal and professional	-	-	13,589	13,589	18,688
	Exchange rate differences	-	-	12,830	12,830	1,985
		709,899	20,833	788,593	1,519,325	1,608,107

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Analysis of Resources Expended (continued)

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

	2010	2009
	£	£
Affordable Housing Programme	7,916	19,704
Bosnia Publication	-	6,210
Israeli/Palestinian Chamber of Commerce	60,976	40,584
Corporate Leadership	22,603	-
The Galilee Loan Programme (restricted repayment)	(62,718)	(68,182)
The Galilee Loan Programme (loan paid from restricted repayment)	62,718	68,182
Gaza	5,457	2,975
Handicraft project	-	9,936
Harvard roundtable	10,673	-
International Institute of Strategic Studies (restricted expenditure)	47,000	188,000
Israeli-Europe Berlin Dialogue	-	20,000
Junior Economists	11,039	-
Microfinance Initiative	-	(33,447)
Moon Valley (£6,000 restricted expenditure)	10,000	5,000
On the Way to Business in the Galilee	52,265	16,234
Palestinian Economic Bulletin	43,930	45,653
Tsofen	16,551	32,468

7 The KIEDF Galilee/Negev Loan Guarantee Programme

In 2006 and 2007 a total of \$500,000 was advanced as a loan to KIEDF (Koret Israel Economic Development Funds) for the Galilee loan guarantee programme. As recoverability was uncertain, this was treated as project expenditure in the accounts. By 31 December 2010 \$300,000 of this loan had been repaid.

In 2009 The Portland Trust and KIEDF signed a loan agreement that The Portland Trust will transfer to KIEDF \$100,000 for five years starting in 2009, 80% of which is a loan and 20% is project funding expenditure. \$100,000 was transferred in 2009 and the \$100,000 payment for 2010 has been accrued for as it was made in January 2011. This loan is scheduled for repayment in annual instalments of \$80,000 starting in 2017.

At 31 December 2010 a total of \$280,000 (2009 - \$380,000) was recoverable under the two agreements with KIEDF but is not recognised as an asset in the accounts because of the uncertainty of recovery.

8 Staff costs

	2010	2009
	£	£
Gross salaries	216,135	212,323
Social security costs	24,653	24,213
Non UK staff costs	469,111	487,578
	<u>709,899</u>	<u>724,114</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

Staff costs (continued)

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

	2010	2009
	Number	Number
£60,000 - £70,000	1	-
£80,000 - £90,000	-	1
£90,000 - £100,000	1	-
£180,000 - £190,000	1	1

The average number of staff of the Charity during the year was 14 (2009: 15), of which 4 (2009:4) 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 2009 and 2010. As such, there is no pension cost.

9 Fixed assets

	Computer equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2010	50,706	104,795	155,501
Additions	16,145	950	17,095
Exchange Rate Differences	3,076	(1,122)	1,954
	<hr/>	<hr/>	<hr/>
At 31 December 2010	69,927	104,623	174,550
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2010	37,945	43,064	81,009
Provision	8,449	12,384	20,833
Exchange Rate Differences	2,286	(1,391)	895
	<hr/>	<hr/>	<hr/>
At 31 December 2010	48,680	54,057	102,737
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2010	21,247	50,566	71,813
	<hr/>	<hr/>	<hr/>
At 31 December 2009	12,761	61,731	74,492
	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

10	Investments	2010	2009
		£	£
	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 €6. 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.

11	Debtors	2010	2009
		£	£
	Other debtors	710	-
	Prepayments	26,649	25,021
		<u>27,359</u>	<u>25,021</u>

12	Creditors: amounts falling due within one year	2010	2009
		£	£
	Other creditors	34,513	25,137
	PAYE and Social Security	7,744	7,457
	Accruals	86,192	29,624
		<u>128,449</u>	<u>62,218</u>

13	Creditors: amounts falling due in more than one year	2010	2009
		£	£
	Staff Severance Provision	10,442	8,374

14	Restricted funds	At 1 January 2010	Incoming Resources	Resources Expended	At 31 December 2010
			£	£	£
	Project funds (IISS)	-	47,000	47,000	-
	Moon Valley	-	6,000	6,000	-
		<u>-</u>	<u>53,000</u>	<u>53,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

15 Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fixed assets	71,818	-	71,818
Net current assets	556,037	-	556,037
Long term liabilities	(10,442)	-	(10,442)
	617,413	-	617,413

16 Related party transactions

During the year, the Charity received £747,000 (2009: £938,000) 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 (2009: £150,000) to the Charity.

Fixed asset purchases and resources expended of £99,786 (2009: £80,038) 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

	2010 £	2009 £
Fixed Asset additions	10,837	-
Premises expenses	62,848	60,404
Travel and meeting costs	2,402	951
Office expenses	23,699	18,683
	99,786	80,038

At 31 December 2010 creditors included £21,762 (2009: £13,558) relating to Portland Place Capital Ltd.

17 Trustees' remuneration

No remuneration was paid to the Trustees.

18 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.