



The Portland Trust

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

FOR THE YEAR ENDED 31 DECEMBER 2012

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 M Davis
CEO	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

CONTENTS

	Page
Trustees' Report	1-9
Auditors' Report	10
Statement of Financial Activities	11
Balance Sheet	12
Notes to the Financial Statements	13-19

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012.

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
M Davis - was appointed Trustee on 17th May 2012.

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 is subject to a maximum of ten and minimum of two. Trustees may be individuals or bodies corporate.

Every Trustee signs 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 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 are 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 is not 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 Financial Statements, The Portland Trust has driven and contributed to a number of initiatives. Sufficient income has again been secured to meet all of our commitments. At 31 December 2012 we have a very liquid balance sheet, which helps to secure our plans to promote economic stability in the Middle East into 2013 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 five employees. In the Tel-Aviv office, which opened in 2005, there are six members of staff and the Chairman is Yossi Bachar. The Ramallah office was opened in April 2008, has four members of staff, and is under the chairmanship of Samir Hulileh.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

REVIEW OF ACTIVITIES

Financial Infrastructure

Private Sector Pensions

In 2006 The Portland Trust commissioned Levant Consulting to review the status of the existing Palestinian pensions systems and to recommend appropriate structures. Following publication of the study in August 2007, The Portland Trust then worked with public and private stakeholders to formulate implementing legislation for the establishment of a new private pension system in the Palestinian Territory. 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 and The Portland Trust, led a number of workshops and discussions with different stakeholders in the private sector. Under the Bank of Palestine's leadership, 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 then established to coordinate the effort to create a pilot pension company.

In Spring 2011 The Portland Trust contracted an independent international consultant to review the legislation that had been prepared over two years earlier. In February 2012 the legislative draft was submitted to the Palestinian Cabinet and is currently awaiting their approval prior to being signed by the President.

Alongside these efforts, The Portland Trust has also supported the Palestinian Capital Market Authority (PCMA) on a programme of work to develop necessary regulations for the pensions system.

Finally, building on efforts initiated in December 2010 by the Bank of Palestine towards the creation of a pilot pension company, The Portland Trust has identified an international pensions expert who will provide advisory services to that initiative on the institutional guidelines and structures.

Social Finance

In 2012, The Portland Trust conducted extensive research into the development of Social Impact Bonds (SIBs) in Israel with a view to launching Social Finance Israel (SFI), a sister company to Social Finance Ltd. in the UK and Social Finance in the US.

SIBs are a financial product that raise capital from institutional and private investors to fund not-for-profit organisations that work to reduce the incidence of certain social issues. If the performance of the not-for-profit organisation is effective, a cost-saving is enjoyed by the government. This expected saving is quantifiable and a proportion of it is returned to the investor, via Social Finance Israel.

A number of possible areas for issuance of SIBs in Israel were identified including: promoting employment within the ultra-Orthodox (Haredi) and Arab-Israeli communities; at-risk youth on the social and economic periphery; drug addiction and the use of SIBs to allocate capital to venture capital funds which invest in social enterprises. Across these social issues, The Portland Trust identified target beneficiaries and strategic partners, performed detailed financial modelling and highlighted the relevant regulatory and tax concerns which are relevant to the success of Social Impact Bonds in Israel.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

REVIEW OF ACTIVITIES

Financial Infrastructure continued

Social Investment

During 2012 The Portland Trust continued working to build a social capital market in Israel. With other key local players in the social investment field, The Portland Trust created the Israeli Social Investment Forum to consolidate activity in Israel and work together to foster a thriving market. The Forum met regularly bringing together the leaders of the social investment industry in Israel and some of Israel's leading social entrepreneurs.

The Portland Trust also worked on the development of a model for an Israeli Social Venture Fund which will invest in for-profit mission-driven businesses in Israel's most underprivileged communities. In addition to this, The Portland Trust has analysed international Social Venture Funds to develop a model and establish an Israeli Social Venture firm, and is also exploring the creation of a social investment bank, similar to Big Society Capital in the UK.

The Negev and Galilee Loan Guarantee Project

In 2009 Koret Israel Economic Development Fund (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. In 2012 83 loans were approved, bringing the total number of facilities granted under the programme since its creation to 409 (accounting for nearly \$50m). The majority of the loans have gone to small businesses, with nearly 25% going to new clients and approximately 16% to business start-ups. The Portland Trust is financially supporting this initiative.

Trade and Investment

Alternative and Renewable Energy

Few of the many well qualified Palestinian electrical engineers have the skills to install and maintain Photovoltaic (PV) energy generation systems. To bridge this gap, in 2012 The Portland Trust partnered with the Jerusalem District Electric Company (JDECO) to establish a training centre, using facilities owned by JDECO in Jericho. The centre was launched in May 2012. The Portland Trust procured the necessary equipment and commissioned an expert consultant to design a training syllabus for a week-long course in PV installation and maintenance for both on- and off-grid systems. Since the opening of the centre 60+ engineers have taken the course and more than 30 Palestinian companies in PV technology have been opened.

The Portland Trust engaged the services of an expert consultant to work on the development of an appropriate regulatory framework for the Palestinian renewable energy sector, following the Palestinian Energy Authority's (PEA) call for support in this matter. The draft regulation was submitted in the summer of 2012. The PEA has so far adopted and put into practice a set of norms for the installation of residential PV systems of up to 5Kw.

Israeli Palestinian Chamber of Commerce

The Portland Trust, the Israel Federation of Bi-National Chambers of Commerce and Industry, the Peres Center for Peace and others established the Israeli Palestinian Chamber of Commerce (IPCC) in Tel Aviv in 2008. The IPCC promotes business opportunities, trade and cooperation between Israelis and Palestinians.

The IPCC arranges regular meetings between prominent Israeli and Palestinian business people and hosts quarterly Breakfast Club lectures for members to meet with Palestinian business people. The IPCC also organises trips to the West Bank for its members to explore business opportunities.

The Portland Trust has a seat on the board of the IPCC and provided funding as well as advisory support.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

REVIEW OF ACTIVITIES

Trade and Investment continued

International Chamber of Commerce (ICC), Palestine

As the Palestinian private sector seeks to strengthen its presence in the global economy, a sound and secure banking sector is vital to the overall development of a sustainable Palestinian economy. The Portland Trust provided funding in 2012 to ICC-Palestine for the establishment of a Banking Commission.

The Banking Commission aims to improve economic performance and encourage local and foreign investment and aid. It will provide its stakeholders with relevant information on internationally accepted rules and norms to support self-regulation. It will also create a forum for advocacy of private sector positions with regard to banking with the Palestinian government and the Palestinian Monetary Authority (PMA).

ICC-Palestine is currently partnering with local banks, the PMA, the Palestine Bank Association and a number of private sector enterprises to further the work of the Banking Commission.

Tourism

Throughout 2012 efforts continued to launch the Palestinian Tourism Board. Since October 2010 The Portland Trust has been working with a local consultant to create a blueprint for developing Palestinian domestic tourism through the private sector. As a result, in 2012 a draft Domestic Tourism Strategy was presented to the Palestinian Ministry of Tourism.

Agribusiness

In early 2011 The Portland Trust identified and funded local agricultural experts to work with TechnoServe to explore how best to improve the functioning of the sector. The final TechnoServe report was finished in mid-2012, and its results fed the design of a new World Bank, Department for International Development (DFID) and EU program to support agribusiness development.

In 2012 The Portland Trust continued to evaluate the current state of the Palestinian agricultural sector through analysis and consultative meetings with agricultural experts, farmers, NGOs and donors in the West Bank and Israel. The main aspects of a comprehensive programme for the promotion of agricultural sustainability in the Palestinian Territory and the improvement of the sector's competitiveness were outlined.

Training and Entrepreneurship

Tsofen

Tsofen aims to accelerate and increase the level of Israeli Arab university graduate participation in the Israeli hi-tech industry. It provides a three month training course specialising in the skills needed in a work environment. Interview training is also provided and Tsofen's network in the profession is used to find placements for the graduates. Tsofen opened an Arab-Jewish Research and Development centre in Nazareth in 2008 to provide software development services to Israeli companies. 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.

In 2012, Tsofen opened an additional training centre in Tira, which focuses its efforts on training Israeli-Arab women for IT support positions. At the end of 2012, there were 22 students attending the Tira centre, 18 of which were women. The Portland Trust has provided financial and advisory support to Tsofen since its inception.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

REVIEW OF ACTIVITIES

Training and Entrepreneurship continued

Ultra-Orthodox Employment Training

In December 2012 The Portland Trust, in partnership with the Joint Distribution Committee and the Belz Ultra-Orthodox community in Israel, launched an employment training programme for Belz Orthodox men aged 19-25. The 16 week programme provides men who have minimal to no secular study experience with courses in business, mathematics, English, computer skills and personal and career development.

The programme acts as a 'halfway house', providing access to and support from individuals who have chosen to pursue employment in addition to their Torah studies. In doing so, the participants often interact with the world outside their community for the first time.

Upon completing the course, representatives of partnering organisations will advise and assist graduates in choosing their next step and give them the options of entrepreneurship training, vocational training, job placement or academic studies. Two years after the completion of the course, and given a track record of training and employment, participants will become eligible for a loan to open an independent business.

Fellowship Programme

Following the Corporate Leadership Programme, The Portland Trust launched a new project in 2012 to address the skills gap in different economic sectors in the Palestinian Territory. The Portland Trust is in partnership with the Palestinian private sector and the British Consulate, places mid-level Palestinian executives with relevant companies in the UK for between one and three months. The participants are developing skills and knowledge that are relevant to the day-to-day operations of the companies where they work in the West Bank.

Since the programme's inception in mid-2012, The Portland Trust has placed ten fellows in the UK. The sectors that have participated include retail banking, wealth management, investor relations and outsourcing.

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 2,000 international and local contacts.

In February 2012 The Portland Trust published a special feature on the current state of the private sector in the Gaza Strip. The feature highlighted economic indicators, the importance of the tunnel economy and the status of sectors including construction, agriculture and industry.

In August 2012 The Portland Trust published a special feature on the Palestinian Information and Communications Technology (ICT) industry. The feature explored the significant potential of the sector to make a strong contribution to balanced sustainable growth in the Palestinian Territory. In recent years there has been an increase in the number of companies in this sector, as well as inward investment from international names. The publication documents this growth and considers what factors might need to be addressed to help the sector deliver its potential.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

REVIEW OF ACTIVITIES

Publications, Research and Events continued

The Role of Business in Peacemaking: Lessons from Cyprus, Northern Ireland, South Africa and the South Caucasus

The Portland Trust researched and developed a paper examining the important peacemaking role of business in Cyprus, Northern Ireland, South Africa and the South Caucasus.

Rather than attempt to draw parallels between these and other conflicts, the paper instead focuses on the different peacemaking approaches and specific activities that the business community undertook, or is undertaking, in each context. It considers what drove business to act and assesses what worked well and where lessons can be learnt for policymakers and others seeking to use economics in peacemaking.

Given the mission of The Portland Trust, it is hoped that lessons relating to the actions of business and the business community in conflict situations, can be drawn from the paper, which can be applied to the Middle East.

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, including the Milken Institute Global Conference (California) in May 2012, the World Economic Forum (Geneva) in August, the IVN Conference (Tel Aviv) in November and the Saban Forum (Washington D.C.) in November/December.

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

In January 2012 The Portland Trust in London hosted a lunch for the President of the Palestinian Authority, Mahmoud Abbas. In July 2012, the office hosted a meeting with Palestinian Prime Minister Dr Salam Fayyad and a number of senior British business figures.

FUTURE DEVELOPMENTS

Expanding the Palestinian Private Sector

The Portland Trust has engaged a team of international consultants to work with the Palestinian private sector to design a private sector-led strategy for the development of the Palestinian economy. The report will focus on the economic sectors with the highest potential to create sustainable employment and contribute to GDP growth. In addition to identifying a mid to long term strategy for those sectors, a number of concrete interventions and initiatives for immediate implementation will be recommended.

Pensions

The legislation to allow for the establishment of a new private pension system for pensions is currently on hold pending approval from the Palestinian Cabinet.

The Portland Trust is continuing to support the CMA on a programme of work to develop the regulations needed. Work with the relevant stakeholders will continue to ensure the regulations drafted allow a pension fund to successfully operate while providing the assurance needed by potential investors.

The Portland Trust will also continue to support the development of the pilot pension company.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

FUTURE DEVELOPMENTS continued

Social Finance

Social Finance Israel (SFI) was incorporated in April 2013 and will initially be chaired by Sir Ronald Cohen. SFI is working on modelling and negotiating Social Impact Bonds in two fields; employment for haredi men and early intervention in diabetes. It is negotiating these two bonds with the Government of Israel. In mid-2013, additional members of the team will be recruited to research the feasibility of Social Impact Bonds in other fields, including Israel-Arab employment, recidivism and youth at-risk. The Portland Trust continues to provide SFI with financial and advisory support.

Social Investment

The Portland Trust aims to lay the foundation for the establishment of a Social Investment Bank in Israel, by researching unclaimed assets in the Israeli banking system as well as legal barriers to allocation of funds towards a Social Investment Bank.

The Negev and Galilee Loan Guarantee Project

The Portland Trust continues to support the project. The volume of loans guaranteed is expected to continue its sustained growth path in 2013.

Alternative and Renewable Energy

The Portland Trust's renewable energy programme aims to support the adoption of PV solutions towards industrial and agricultural use. The management of the Bethlehem Multipurpose Industrial Park (BMIP) has approached The Portland Trust for advice in developing its own solar plant, expected to deliver 1.8 MW of power to partially cover the energy requirements of the companies to be established there. Additionally, the Arab Development Society (ADS) in Jericho requested The Portland Trust's consultancy assistance to build a 450kw PV system in their premises. In February 2013, The Portland Trust commissioned and fully funded a consultant to conduct technical and feasibility studies and develop comprehensive business plans to supply electricity in an environmentally sustainable way to the BMIP and the ADS's premises in Jericho. In May 2013 the consultant also updated and expanded the content of the Jericho training centre's courses.

Tourism

The development of the tourism programme continues. It is expected that in 2013, once the domestic tourism strategy document is cleared by the Minister of Tourism, the study commissioned by The Portland Trust will be used as the basis of discussions with stakeholders to implement its recommendations, including the formation and implementation of the Tourism Board.

Agribusiness

The Portland Trust will continue to support the agribusiness industry. The introduction of new technologies to bridge the skills gap, increase productivity and improve the sector's competitiveness is among the main objectives of the programme. Options to improve export methods by identifying alternative products with high export potential will also be explored. The agricultural programme will be further developed with focus on the design of a series of flagship initiatives, particular the launch an agricultural hub for the dissemination of know-how and the promotion of the extensive use of advance productive techniques among Palestinian farmers. The business plan for this initiative is being currently developed.

Shefar'am Industrial Park

As part of its efforts to promote economic development, create employment opportunities and alleviate poverty in the Israeli periphery, The Portland Trust is working on the development of a Regional Industrial Park in Shefar'am. Building on an excellent geographic location (15 minutes from Haifa and situated along two regional motorways), as well as both business and public leadership support, Shefar'am-Tech has the potential to transform the area by providing quality employment opportunities through industrial development. The Portland Trust has engaged the services of a consultant to lead the initial phase of the project.

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

FUTURE DEVELOPMENTS continued

Tsofen

Two additional courses have taken place in Tira, with more planned for the second half of 2013.

Ultra-Orthodox

The first course began in January 2013 and was completed by 24 of 25 students. Those students are now undergoing diagnostic testing in order to determine the best path for each individual. Based on the test results, students will be referred to vocational training, academic studies or directly to employment. By the end of the year around 100 young men will have attended the course.

Fellowship Programme

The Portland Trust is in the process of securing more placements for Palestinian fellows and is looking to expand to include sectors such as engineering.

Palestinian Economic Bulletin

As well as the continuation of the monthly Bulletin, there are two special features planned for 2013.

The Role of Business in Peacemaking: Lessons from Cyprus, Northern Ireland, South Africa and the South Caucasus

The paper was published in March 2013. The Portland Trust will distribute the paper widely and promote it at conferences and events throughout the year.

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 2012

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.

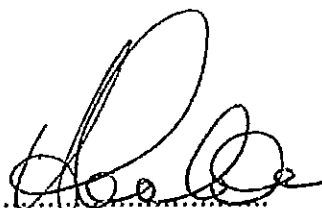
The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets 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 July 2013

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 2012 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 Chapter 3 of Part 16 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 who are also the directors of the charitable company for the purposes of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources 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 in accordance with the small companies regime.

RSM Tenon Audit Limited
Malcolm Pirouet, Senior Statutory Auditor
For and on behalf of RSM Tenon Audit Limited, Statutory Auditor

9 September 2013
66 Chiltern Street
London W1U 4JT

STATEMENT OF FINANCIAL ACTIVITIES
 (including the Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Incoming resources					
Voluntary income	3	1,486,128	21,167	1,507,295	1,369,539
Investment income	4	609	-	609	140
Income from Charitable Activities	5	1,748	-	1,748	15,994
Total incoming resources		1,488,485	21,167	1,509,652	1,385,673
Resources expended					
Charitable activities		1,332,463	21,167	1,353,630	1,404,241
Governance costs		56,787	-	56,787	26,246
Total resources expended	7	1,389,250	21,167	1,410,417	1,430,487
Net incoming / (outgoing) resources		99,235	-	99,235	(44,814)
Funds brought forward		572,599	-	572,599	617,413
Funds carried forward		671,834	-	671,834	572,599

- 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.

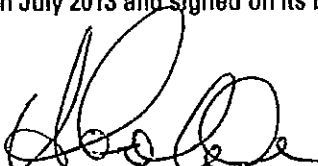
**BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Notes	£	2012 £	£	2011 £
Fixed Assets					
Tangible fixed assets	10		41,212		53,561
Investments	11		5		5
			<u>41,217</u>		<u>53,566</u>
Current assets					
Debtors	12	90,793		119,762	
Bank and cash balances		634,956		468,422	
		<u>725,749</u>		<u>588,184</u>	
Creditors: amounts falling due within 1 year	13	(76,749)		(56,588)	
Net current assets			<u>649,000</u>		<u>531,596</u>
Total assets less current liabilities			<u>690,217</u>		<u>585,162</u>
Creditors: amounts falling due in more than 1 year	14		(18,383)		(12,563)
Net assets - unrestricted			<u>671,834</u>		<u>572,599</u>
FUNDS					
Restricted funds	15		-		-
Unrestricted funds	16		671,834		572,599
			<u>671,834</u>		<u>572,599</u>

These financial statements were approved by the Board of Trustees on 19th July 2013 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 2012**

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 Corporation Tax Act 2010.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

3	Voluntary income				2012	2011
					£	£
	Cash donations				1,507,295	1,369,539
4	Investment income				2012	2011
					£	£
	Bank deposit interest				609	140
5	Income from Charitable Activities				2012	2011
					£	£
	Course Fees				1,748	15,994
6	Net movement in funds				2012	2011
					£	£
	Net movement in funds is stated after charging:					
	Auditors' Remuneration – UK auditors				11,280	9,470
	Auditors' Remuneration – Overseas auditors				6,675	6,963
					17,955	16,433
7	Analysis of Resources Expended					
		Staff costs	Depreciation	Other	Total 2012	2011
		£	£	£	£	£
	Direct charitable expenditure					
	Project costs	659,256	-	286,716	945,972	912,612
	Support costs	-	18,675	388,983	407,658	491,629
		659,256	18,675	675,699	1,353,630	1,404,241
	Governance costs					
	Accountancy	-	-	5,760	5,760	5,760
	Auditors remuneration	-	-	17,955	17,955	16,433
	Bank charges and interest	-	-	1,315	1,315	2,764
	Legal and professional	-	-	23,826	23,826	16,281
	Exchange rate differences	-	-	7,930	7,930	(14,992)
		659,256	18,675	732,485	1,410,416	1,430,487

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Analysis of Resources Expended (continued)

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

	2012	2011
	£	£
Agribusiness	-	9,721
Israeli/Palestinian Chamber of Commerce	39,418	60,870
Corporate Leadership	2,964	12,870
The Galilee Loan Programme (restricted repayment)	(62,893)	(65,217)
The Galilee Loan Programme (loan paid from restricted repayment)	62,893	65,217
Junior Economists	-	5,280
Moon Valley (£6,000 restricted expenditure)	-	12,500
On the Way to Business in the Galilee	-	(36,087)
Palestinian Economic Bulletin	48,484	49,805
Renewable Energy	52,493	-
Social Finance Israel	83,998	-
Tsofen	16,051	16,522
Ultra Orthodox	20,901	-

8 The KIEDF Galilee/Negev Loan Guarantee Programme

In 2006 and 2007 a total of \$500,000 was advanced as a loan to the Galilee loan programme. As recoverability was uncertain, this was treated as project expenditure in the accounts.

In 2009 The Portland Trust and KIEDF (Koret Israel Economic Development Funds) signed a loan agreement that The Portland Trust will transfer \$100,000 each year for five years starting in 2009, 80% of which is a loan and 20% is project funding expenditure. By 31 December 2012 \$400,000 had been transferred. This loan is scheduled for repayment in annual instalments of \$80,000 starting in 2017.

At 31 December 2012 the first loan of \$500,000 had been repaid in full. \$320,000 (2011 - \$340,000) was recoverable under the second agreement with KIEDF, but is not recognised as an asset in the accounts because of the uncertainty of recovery.

9 Staff costs

	2012	2011
	£	£
Gross salaries	273,575	252,821
Social security costs	33,055	31,173
Non UK staff costs	352,626	490,175
	<u>659,256</u>	<u>774,169</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Staff costs (continued)

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

	2012 Number	2011 Number
£70,001 - £80,000	1	-
£90,001 - £100,000	1	-
£110,001 - £120,000	1	1
£170,001 - £180,000	-	1

10 Tangible Fixed assets

	Computer equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2012	76,006	104,546	180,552
Additions	6,869	-	6,869
Disposals	(27,430)	-	(27,430)
Exchange Rate Differences	(1,216)	(1,824)	(3,040)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	54,229	102,722	156,951
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2012	58,527	68,464	126,991
Provision	9,206	9,469	18,675
Disposals	(27,430)	-	(27,430)
Exchange Rate Differences	(937)	(1,560)	(2,497)
	<hr/>	<hr/>	<hr/>
At 31 December 2012	39,366	76,373	115,739
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2012	14,863	26,349	41,212
	<hr/>	<hr/>	<hr/>
At 31 December 2011	17,479	36,082	53,561
	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

11	Investments	2012 £	2011 £
	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.

12	Debtors	2012 £	2011 £
	Other debtors	4,753	34,718
	Prepayments	86,040	85,044
		90,793	119,762

13	Creditors: amounts falling due within one year	2012 £	2011 £
	Other creditors	35,754	28,832
	PAYE and Social Security	8,554	8,309
	Accruals	32,441	19,447
		76,749	56,588

14	Creditors: amounts falling due in more than one year	2012 £	2011 £
	Staff Severance Provision	18,383	12,563

15	Restricted funds	At 1 January 2012	Incoming Resources £	Resources Expended £	Transfers £	At 31 December 2012 £
	Social Finance Israel	-	21,167	21,167	-	-
		-	21,167	21,167	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

16 Designated Funds	Transfers	At 31 December 2012
	£	£
Social Finance Israel	154,321	154,321
Tsofen	15,432	15,432
Bulletin	55,000	55,000
Shefar'am	38,580	38,580
Pensions	42,284	42,284
Expanding the Palestinian Private Sector	163,934	163,934
	<hr/>	<hr/>
	469,551	469,551
Balance of Unrestricted Funds		202,283
Total Unrestricted Funds		<hr/>
		671,834

The Trustees have transferred amounts from unrestricted reserves to designated funds.

Details of each of the above designated funds can be found in the Future Developments section of the Trustees' Report set out on pages 6 to 8.

17 Analysis of net assets between funds	Unrestricted Funds	Restricted Funds	Total Funds
	£	£	£
Fixed assets	41,217	-	41,217
Net current assets	649,000	-	649,000
Long term liabilities	(18,383)	-	(18,383)
	<hr/>	<hr/>	<hr/>
	671,834	-	671,834

18 Related party transactions

During the year, the Charity received £500,000 (2011: £500,000) from The R and S Cohen Foundation, a Charity of which Sir R Cohen is also a Trustee. The Heathside Charitable Trust, of which Sir H Solomon is also a Trustee, donated £150,000 (2011: £150,000) to the Charity. M Davis, Trustee, donated £187,502 (including Gift Aid) and Sir R Cohen donated £21,167, which he received in prize money from the Rockefeller Foundation.

Fixed asset purchases and resources expended of £88,368 (2011: £77,489) 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 R Cohen is a shareholder of Portland Place Capital Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Breakdown of expenditure paid via recharges to Portland Place Capital Ltd

	2012	2011
	£	£
Fixed Asset additions	-	1,637
Premises expenses	54,600	44,645
Travel and meeting costs	1,070	1,854
Office expenses	31,792	29,353
Private Healthcare	906	-
	<u>88,368</u>	<u>77,489</u>

At 31 December 2012 creditors included £14,224 (2011: £11,782) relating to Portland Place Capital Ltd.

18 Trustees' remuneration

No remuneration was paid to the Trustees.

19 Ultimate Controlling Party

The Company's share capital is limited by guarantee and in the event of a winding up each shareholder will contribute £1 per share. There is no ultimate controlling party.