

Scottish Charity Number: SC037343
Company Number: SC299579



TURQUOISE MOUNTAIN
TRUST

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

REPORT and FINANCIAL STATEMENTS

For the Year Ended 31 December 2012

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THE TURQUOISE MOUNTAIN TRUST
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TRUSTEES' REPORT

The Trustees present their report along with the financial statements of The Turquoise Mountain Trust for the year ended 31 December 2012. The financial statements have been prepared in accordance with the accounting policies set out on pages 16 and 17 and comply with the charity's constitution, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, and the Statement of Recommended Practice: Accounting and Reporting by Charities 2005.

1. Reference and Administrative Information

1.1 <u>Registered Scottish Charity Number</u>	SC037343
1.2 <u>Company Number</u>	SC299579
1.3 <u>Registered Office</u>	Broich House, Crieff, Scotland, PH7 3RX
1.4 <u>Advisors</u>	
Auditor:	Chiene + Tait, Chartered Accountants and Statutory Auditor, 61 Dublin Street, Edinburgh, EH3 6NL
Bankers:	Coutts & Co., 440 Strand, London, WC2R 0QS
	Afghanistan International Bank, Shahr-e-Naw, Haji Yaqoob Square, Shahabudin Watt, P.O.Box No, 2074 Kabul – Afghanistan
Solicitors:	Turcan Connell, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 0BR

1.5 Directors/Trustees

The Turquoise Mountain Trust is the oversight body for Turquoise Mountain. The Board of Trustees meet quarterly to review progress and approve strategy for Turquoise Mountain. The Trustees hold an Annual General Meeting. The Trustees during 2012 and at the time of the approval of the financial statements were as follows:

- Richard Keith
- Edward Viscount Chelsea
- Joy de Menil (Appointment ceased on 24 March 2012)
- Sir Thomas Shebbeare
- Khaled Said
- Sir John Tusa KBE
- Tamim Samee
- Sir William Patey (Appointed as trustee on 20 April 2012)
- Richard Derryhouse

1.6 Executive Chairman and Senior Management Staff

Richard Keith remained Chairman of the Board and Shoshana Clark Stewart was the Managing Director and with effect from 21 September 2012 became the CEO of the Trust.

2. Structure, Governance and Management

2.1 Governing Document

The Turquoise Mountain Trust is a charitable organisation registered in Scotland and a company limited by guarantee. It is governed by its Memorandum and Articles of Association. The Trust established a branch, operating as "Turquoise Mountain Foundation" to help achieve its objectives in Afghanistan. Turquoise Mountain Foundation is registered as a charitable organisation in Afghanistan.

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TRUSTEES' REPORT *(cont'd)*

2.2 Recruitment, Appointment, Induction and Training of Trustees

Trustees can be nominated to the board when existing Trustees resign or when the Board agrees that the expertise of additional Trustees is required. Trustees can be nominated at Board meetings and a majority vote will determine if the nominated Trustee will be appointed. New Trustees are inducted during their first quarterly meeting and are required to sign a document outlining their legal obligations to the Trust.

2.3 Organisational Structure

The Board of Trustees, which can have up to 10 members, administers the charity. Decisions are made at quarterly Trustees meetings, or via e-mail agreement based on reports from the Executive Chairman or Managing Director.

2.4 Related Parties

The Turquoise Mountain Trust (TMT) became a Patronage of HRH Prince of Wales as of 1 September 2012.

Turquoise Mountain Foundation US (TMF US) - based in Washington DC, USA - is a separate organisation which has an administrative role to assist the Trust in its objectives.

The Organisation for Afghan Arts and Architecture (hereinafter referred to as the Turquoise Mountain Institute or TMI), was established in 2011. TMI is registered with the Ministry of Economy, Afghanistan, as a non-profit, non-governmental organisation specialising in the education of traditional arts and architecture and is governed by its Memorandum of Association and its own Board of Directors. TMT functions as a founder and primary donor to TMI and the Chief Executive Officer of TMT is also the Chairperson of the Board of Directors of TMI.

2.5 Risk Management

The Trustees assess risks to the Trust and Turquoise Mountain at the quarterly Trustees meetings. They respond both to financial and security risks and advise staff to vary activities in accordance with legal obligations and the situation on the ground in Afghanistan.

The Trustees consider the main risk to be an inability to secure long term funding to allow the Trust to continue with its work. The Trustees have secured funding from USAID through to November 2015 and continue to build up unrestricted reserves to carry on activities up to 2030.

3. Objectives and Activities

3.1 Objectives of the Charity

The Trust and Turquoise Mountain's mission is to regenerate Afghanistan's traditional crafts and historic areas, and in so doing create jobs, skills and a renewed sense of national identity.

The Trust's constitution sets out its objectives: to promote education and rural and urban regeneration in areas of social and economic deprivation in the Republic of Afghanistan by all or any of the following:

- Relief of poverty;
- Relief of unemployment;
- Advancement of education, training or retraining, particularly any unemployed people, and providing unemployed people with work experience;
- The creation of training and employment opportunities by the provision of funding, etc;
- The protection of buildings or sites of historical or architectural importance;
- Protection or conservation of the environment; and
- Other charitable purposes related to the above.

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TRUSTEES' REPORT *(cont'd)*

3.2 Charity's Aims

The Trust administers Turquoise Mountain Foundation whose aims are outlined as:

- Establish a school of traditional Islamic craft and architecture in the old city of Kabul.
- To preserve and rehabilitate buildings and public spaces in the surrounding areas of the old city.
- From the school, Turquoise Mountain Foundation intends to run short courses for Afghan undergraduates, architects, designers and engineers to encourage art and design.
- Set up historical restoration projects and museum conservation.
- Develop links with construction companies, commercial trading and export houses.

3.3 Main Objectives for the Period

The main objectives of the Trust for 2012 were:

- Supporting Afghan management of TMI as they take over the Institute for Afghan Arts and Architecture
- Urban Regeneration of Murad Khane (MK)
- Community Development in MK
- Development of the Afghan Arts and Crafts industry
- Culture and Heritage promotion

3.4 Strategies to Achieve the Charity's Objectives

Our strategies to achieve these objectives are:

- Ongoing restoration of Murad Khane in conjunction with the Government of Afghanistan.
- Support the growth and success of the Turquoise Mountain Institute for Afghan Arts & Architecture, created by Turquoise Mountain Trust.
- Raise funds for ongoing projects and for the Turquoise Mountain Institute.
- Establish independent business, and associated businesses in the old city to help ensure employment and livelihoods for graduates of Turquoise Mountain Institute and for associated craftswomen and men through export, and to provide financial support to the Institute.
- Strengthen international markets for Afghan crafts through promotional materials, quality and design improvements, and cost reduction.
- Support and amplify Turquoise Mountain's commitment to raising the quality of arts and cultural activities in Afghanistan.
- Ensure that Murad Khane continues to serve as a cultural, educational and commercial destination in Kabul, with shopping, restaurants and public facilities for men, women and children.
- Raise funds to cover funding gaps and the running costs of TMI, through a combination of public funding through donors and private funding.
- Manage effectively the finances and assets.

3.5 Volunteers

Turquoise Mountain Trust was assisted by volunteers during 2012.

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TRUSTEES' REPORT *(cont'd)*

4. Achievements and Performance

During the year ending 31 December 2012 Turquoise Mountain's achievements included the following:

- With major reconstruction work of core buildings in Murad Khane completed by late 2011, the engineering department focused on building the second floor of the family health centre funded by the Japanese Embassy. Alongside this new building, the engineering department was involved in carrying out repairs and maintenance of community buildings in cooperation with the Murad Khane community.
- Turquoise Mountain was chosen to exhibit at the Museum of Islamic Art in Doha, opening in March of 2013. The masters and students produced over 40 museum-quality examples of Afghan craft to be displayed for three months in 2013.
- 500m² of paving was laid throughout the community, completing all planned paving projects for 2012.
- During the year, a total of 1,839m³ of rubbish was cleared from the streets of Murad Khane.
- The lease issue concerning the occupation of buildings at MK has been successfully settled. The Government of the Islamic Republic of Afghanistan owns the land which is preserved under Presidential Decree for the use of the Turquoise Mountain Institute, and an agreement between Turquoise Mountain and the Municipality was signed for the use of the land on 6 May 2012.
- Family Health Centre (FHC) saw almost 10,997 patients, 70% of whom were women and children. The Centre was also officially inaugurated as the first Tuberculosis (TB) control centre in the Old City of Kabul. The TB centre offers free services to TB patients including medicine and treatment. A vaccine centre was also officially inaugurated within the FHC, supported by Expanded Program Immunization (EPI) directorate on 5 December 2012. The FHC provide free services to community including BCG, OPV, DPT, TT and Measles vaccines.
- TMI celebrated its one-year anniversary of moving into Murad Khane in May 2012. Approximately 200 visitors participated in this event including many Ambassadors, the USAID Mission Director, UN and Ministers from the Government of the Islamic Republic of Afghanistan.
- The Turquoise Mountain Institute is training 174 students, 117 (91 male, 26 female) students in its three year full time vocational programme, and 57 (35 male, 22 female) students in its one year programme. For the one-year programme, students are enrolled in three departments- jewellery & gem-cutting, woodwork and textiles. They are practicing the basic skills of their chosen craft and learn how to make simple pieces of Woodwork, jewellery and textiles. 22 master craftsmen are leading the courses and all their activities observed and supervised by Turquoise Mountain Institute Education Department.
- Of the total number of graduates from 2009, 2010, and 2011, 68 are working in the arts and crafts sector, 16 pursued further education, 47 are working in craft related industries, 4 are employed in another industry, and only one is working in an unrelated industry.
- The Murad Khane Public School (MKPS) is now registered with the Ministry of Education and fully administered by them. Turquoise Mountain continues to provide supplementary education to a total of 81 students (38 boys, 43 girls) in Murad Khane.

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TRUSTEES' REPORT *(cont'd)*

4.1 Review of Activities undertaken in the Period and Performance against set Objectives

TMT managed a staff and labour force of 97 with total spending of £1.84 million in 2012. TMT is now under full Afghan management, with an experienced national staff taking over responsibilities.

Throughout the transition the project continued to flourish. Continued support from the Governments of USA and CIDA ensured that the Institute continued to flourish, support from the British government allowed for an expansion of the Institute's programmes, and partnership with the US Task Force for Business Stabilization Operations allowed for the development of Turquoise Mountain's business development department. Continued strong links with the Government of the Islamic Republic of Afghanistan, the Murad Khane community, as well as a range of new partners such as the Museum of Islamic Art in Qatar, allowed Turquoise Mountain to build new projects and take new opportunities.

Turquoise Mountain's Institute for Afghan Arts and Architecture (now TMI) completed its fifth year as a government registered private educational institution and its sixth year of full operation. TMI comprises four Schools; Woodwork, Calligraphy & Miniature Painting, Jewellery & Gem-Cutting, and Ceramics, each with courses of three years' duration. At the same time, TMI now also runs a one-year vocational course in basic woodwork, jewellery, and textiles for 57 students. The student body at the end of 2012 stood at 174 students, a significant increase on 2011. There are currently 22 masters teaching practical classes, and 8 teachers providing classes in supplementary subjects that include Business, Information Technology, Art History, Design, Technical Drawing, Dari, Pashtu and English. The Institute has accreditation with the international awarding body, City & Guilds, and the third student graduation ceremony was held in March 2012 with a class of 29 internationally certified students.

Urban Regeneration activities has centred on the repair and maintenance of the historic buildings which now serve as the home for the Institute, as well as family homes in Murad Khane, rehabilitating and building infrastructure. The work on the built infrastructure of the area has been matched by a range of community development projects providing education, health, and cultural activities.

The Business Development department continued to develop its products as part of creating international demand. The Business Development Director made several successful trips to London and Europe to strengthen and develop TMT sales networks. The new business development website – www.turquoisemountainarts.org - generated new sales and attracted new customers.

Turquoise Mountain also secured its largest ever commission/exhibition: a collection of 40 museum-worthy pieces to be exhibited at the Museum of Islamic Art in Doha, Qatar. This exhibition is an extraordinary opportunity to both promote Afghan arts on the world stage and act as a springboard for business opportunities in the Gulf.

The Development and Communications team successfully secured additional funding from donors. It also supported the raising of Turquoise Mountain's profile through wide-ranging communications work, including a number of high-profile media pieces.

a. Organisation for Afghan Arts and Architecture

In 2012, TMI celebrated its first year as a fully Afghan-run entity. Notable achievements include:

- The planning for recruitment process for 2013 student intake started during this reporting period.
- In order for graduates to connect with local and international markets, they participated in five local and one international exhibition.

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TRUSTEES' REPORT *(cont'd)*

- The Institute completed the design and tiles decoration of the Panj Tan Shrine in Murad Khane. The purpose of the Panj Tan Shrine tile decoration is to attract local and international visitors to the area and to provide practical exposure to students.
- In order to improve the design skills and techniques of the Institute's jewellery and gem-cutting graduates, 14 graduate students travelled to India for an advanced vocational training course for 2 months from 6 September to 5 November 2012.

b. The Murad Khane Urban Regeneration Project

With restoration and conservation activities of core buildings in Murad Khane completed over 2011, 2012 saw additions and repairs to existing buildings by the Urban Regeneration team. The Urban Regeneration team focussed on the extension of the family health centre, which has allowed a much larger number of patients to be housed and treated on the premises. Other notable achievements include

- Cleared approximately 1,839m³ of rubbish, with a total of over 32,000m³ over the life of the project.
- Continued work on clearing of drainage channels and paving of streets.
- Murad Khane "Women's Courtyard" completed along with the extension to the family health centre, thus creating a combined health and retail space in a prominent position by the bazaar.
- All houses in Murad Khane (approximately 110 households and 610 people) are now connected with Kabul city's main water and electricity supply systems.

c. Community Development in Murad Khane

Feroz Koh Family Health Center (FFHC) and the Murad Khane Public School (MKPS) are now under separate management and Turquoise Mountain continues to provide financial and advisory support to these organisations. Notable achievements include:

- 10,997 patients visited the clinic during 2012.
- The health centre ran as a sustainable institution in 2012, with Hope Family Medicine Afghanistan operating the facility and AMOR Afghanistan providing oversight and running costs.
- The health centre continues to move towards sustainability with a service charge system which charges patients for basic medicine; however, patients that can't afford the fee are assisted through a special assistance fund.
- The Ministry of Education (MoE) took over running the Murad Khane Public School during 2011. The head of the Kabul Education Department and other officials from the Ministry of Education visit the school regularly. The MoE is now paying salaries and some operational costs while the building's rent and additional costs are supported by TMT.
- While Turquoise Mountain no longer has access to exact numbers of students in this facility, Turquoise Mountain continues to provide supplementary classes to 81 (38 male, 43 female) student in Mathematics and Dari, as well as a newly introduced course in Peace-Building. Students have also been attending art classes provided by TMI.
- In addition to its connection with Sonoma Academy in California, MKPS has been paired with an Estonian school by the Swedish Committee who operates the Twin Schools project - connecting teachers and students from various countries around the world. The project provides an opportunity for students from diverse backgrounds to communicate, increasing cultural awareness and creating a better sense of global understanding.

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TRUSTEES' REPORT *(cont'd)*

- Community literacy classes continued through a local craft business, Zarif designs. 22 women are now attending embroidery classes in the community courtyard and are given the opportunity to involve themselves in the embroidery business.

d. Business Development of Afghan Arts and Crafts

Notable achievements for the year include:

- Sales from the department totalled £192,213 for the year.
- Business Development secured major national and international commissions, including a significant commission from an Afghan customer in Kabul, an exhibition of Afghan arts at the Museum of Islamic Arts in Doha, and a repeat order with the New York fashion retailer Kate Spade.
- Business Development continued to develop its long-standing relationship with the London-based jewellery designer Pippa Small, who received a commission from the UK high-street retailer Monsoon to make a line of jewellery in collaboration with Turquoise Mountain. The jewellery will go on sale in March/April 2013.
- The Turquoise Mountain Arts website has continued to attract new customers and sales over 2012.

4.2 Significant Fundraising Activities

Turquoise Mountain consolidated its financial position by securing additional commitments from donors, amounting to £466,994, which provides for running of TMI, Business Development, and Community Development. Major donors for the year included CIDA, USAID, DfID, Masako and James Shinn, The Australia Embassy, The Embassy of Japan, The Task Force for Business and Stability Operations, Qatar Museum Authority (QMA), British Council and other public donors. Incoming resources from these donors during 2012 amounted to £1.40 million. Incoming resources during the year from other donations and other income amounted to £1.94 million.

Turquoise Mountain is now funded for the majority of its programmes up to the year 2015, and continues to raise funds to support TMI's ongoing programmes. TMT has raised significant funds for this unrestricted fund, and is seeking investment advice according to its fundraising and investment plan.

4.3 Communications Activities

During 2012, the Communications team promoted the organisation's profile in the international as well as in the Afghan media. Major activities included:

- Received coverage through a large number of high-profile international pieces, both in newspapers and on international news networks
- Held a number of exhibitions of student and graduate work, helped organise a nation-wide calligraphy competition, and organised a very successful community *nowroz* celebration to usher in the Afghan New Year.
- Co-ordinated and facilitated donor press / communications, visits by journalists and communications representatives, and other high profile visits of dignitaries, government, and general public.
- Continued to expand stakeholder relationships, including co-ordination with donors for programme strategy. This included regular newsletters, as well as major fundraising dinners with the TMF US Board members and donors in New York.

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TRUSTEES' REPORT *(cont'd)*

5. Financial Review

During 2012, there was on-going emphasis on the strengthening and development of Afghan staff within the finance department. The Afghan Chief Finance Officer continued to strengthen the accounting system and financial controls within the organisation. The finance team along with the development and reporting team responded to the reporting and compliance demands from donors.

5.1 Results for the Period

Turquoise Mountain consolidated its financial position by continuing activities under donor funding. Incoming resources during 2012 amounted to £1.4 million from restricted donor funding and £1.94 million from unrestricted donations and other income. Total incoming resources thus totalled £3.34 million, as compared to the expended resources of £1.84 million, excluding exchange losses.

Total reserves as at 31 December 2012 amounted to £3.26 million (as at 31 December 2011: £1.76 million). Assets and liabilities as at 31 December 2012 were respectively £3.47 million and £0.21 million; leaving a net assets balance of £3.26 million.

5.2 Principal Funding Sources and how these have been used in line with our Objectives

In line with agreements signed with donors, Turquoise Mountain continued to conduct activities using donor funding. Donations and voluntary philanthropic contributions are used to support the ongoing and future charitable activities of TMT.

During 2012, restricted expenditure accounted for £1.38 million, 75% of total expenditure of £1.84 million for the year. Expenditure out of unrestricted reserves was £0.46 million i.e. 25% of total expenditure for the year.

5.3 Investment Policy

The organisation has kept reserves liquid during 2012 to allow for changes to the volatile economic situation in Afghanistan and to meet programme needs towards the maturity of most of the programmes and for TMT's move. The organisation currently has bank accounts in the UK and in Afghanistan. Funds are also kept within an interest bearing money market account in the UK.

5.4 Reserves

The reserves as at 31 December 2012 are £3.26 million (funds balance as at 31 December 2011 £1.76 million). These reserves provide for the unrestricted charitable expenditure and are kept liquid to meet the needs of programmes during their current final phases progressing during 2012-13. These reserves will be handled in line with the Investment Policy adopted by the TMT board.

6. Plans for Future Periods

The coming year will see TMT consolidate its position and ensure that its activities continue to be recognised as achieving measurable results, largely under the control of Afghan management. 2013 will see the development of Turquoise Mountain's "second phase" as it looks to expand to take advantage of the opportunities which present themselves in international and domestic craft sales, and in the further training of skilled workers in the crafts and in building.

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TRUSTEES' REPORT *(cont'd)*

Education: Plans for 2013

In 2013, TMI will continue to maintain its status as Afghanistan's premier arts education facility. Activities will include:

- Recruit a new class of students for the four schools and begin a new academic year during March/April 2013.
- Review and maintain the quality of the TMI Curriculum, with input from existing teaching staff and educational consultants.
- Take on some new staff and assistants to strengthen certain departments, especially the Woodwork department.
- Solidify existing and establish new links with Afghan stakeholders in government, culture and civil society, and the private sector.
- Conduct site visits to give students exposure and knowledge of unique local design influences and historic traditions of Afghanistan.
- Send several exceptional jewellery graduates to India for post-qualification training in jewellery design and finishing, to ensure a sizeable pool of talent to drive the Afghan jewellery industry forward in the future.
- Provide supplementary lessons for TMI students in subjects such as IT, Business, Shari'a, English, Pashto, Dari, Art History and Technical Drawing and Geometric Design.
- Provide teacher training and assessment of classroom-based activities.
- Develop particular expertises in new techniques, such as paper-making and use of natural pigments in the calligraphy and miniature department.
- Strengthen the capacity of TMI management staff through courses in management, leadership, and Microsoft Excel.
- Conduct cultural outreach activities providing both students and graduates with opportunities to develop their individual strengths, product lines, entrepreneurialism and vision for their future.
- Promote the work of TMI within the local community of Murad Khane through the annual student art exhibition in Murad Khane.
- Continue the Graduate Opportunities Programme to assist and support TMI graduates to find employment or study opportunities in their related craft. This will also incorporate the biannual survey of the graduated students, the graduate opportunities manual and training in business and management.

Murad Khane Urban Regeneration Project: Plans for 2013

In 2013, the Murad Khane Architecture and Engineering team will continue the conservation work by renovating and completing work on community buildings and public spaces. In particular we will:

- Repair some of the last of the remaining historic buildings, such as the House of the Solitary Tree, and seek funding for other historic sites such as Haji Hassan's Takiakhana and the Symmetrical House.
- Continue Community building work, including emergency repairs to residents' houses.
- Develop new public spaces for the community, including through a Sayaban (pavilion) in the public area of Murad Khane.

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Murad Khane Community Development: Plans for 2013

Community Development will continue its education and health programmes in 2013. In particular TMT will:

- Enable the FFHC to continue operating in the area, managed by Morning Star, but with operational costs funded by TMT.
- Continue training of teachers and provision of classes to children and community members.
- Continue to discuss community maintenance with the Shura.

Business Development: Plans for 2013

The Business Development will make some significant changes in 2013 to the way it operates. The primary change will be a movement away from direct production and sales, to encouraging more and more Afghan businesses to be set up functioning independently and registered with AISA. Work will then be sub-contracted by Turquoise Mountain to these independent businesses. Main activities for this year will include:

- Raise sales volume on 2012 figures
- Build on the Doha exhibition in 2013 through getting sales and commissions in the Gulf.
- Help several independent Afghan craft businesses set up in Murad Khane
- Seek international partners for collaborations across all crafts.
- Continue on-going training of Afghan national staff.
- Look for potential exhibition opportunities in Europe and the Gulf.
- Conduct business trips to the UK in pursuance of potential new sales and market agents.

Communications: Plans for 2013

The priorities for 2013 include:

- Secure funds for programmes, support the set-up of new activities, and develop strategies for further fundraising.
- The successful management and monitoring of all resources and grants, including the production of timely and accurate reports for donors.
- Hiring a Director of Reporting and Communications to oversee securing and implementing of new funding, and the day-to-day running of the department.

7. Trustees' Responsibilities

The Trustees (who are also Directors of The Turquoise Mountain Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the incoming resources and application of resources, including the net income and expenditure, of the charitable company for the year. In preparing the financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;

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TRUSTEES' REPORT (cont'd)

- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any 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 operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements, comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The applicable law also sets out the trustees' responsibilities for the preparation and content of the Trustees' Report. The Trustees are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

8. Re-appointment of Auditor

A resolution will be proposed at the Annual General Meeting that Chiene + Tait be re-appointed as auditor to the Trust for the ensuing year.

9. Small Company Exemptions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Trustees on 13 September 2013 and signed on their behalf by:



Richard Keith (Chairman)

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF
THE TURQUOISE MOUNTAIN TRUST**



We have audited the financial statements of The Turquoise Mountain Trust for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on pages 10 and 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 charitable 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 in the Trustees' Report 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, including its income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Opinion on other matter 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.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF
THE TURQUOISE MOUNTAIN TRUST (cont'd)**



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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records 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 and take advantage of the small companies exemption in preparing the Trustees' Report.

Malcolm H Beveridge

Malcolm Beveridge BA CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh, EH3 6NL

30 Sep 2013

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

STATEMENT of FINANCIAL ACTIVITIES

For the year ended 31 December 2012

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2012 £	Total Funds 2011 £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income: grants and donations	3	1,850,342	1,399,327	3,249,669	1,763,988
Investment income: bank interest		802	-	802	690
<i>Incoming resources from charitable activities</i>					
Sale of goods		192,213	-	192,213	272,807
<i>Other incoming resources</i>					
Foreign exchange gains		-	-	-	8,421
Total incoming resources		2,043,357	1,399,327	3,442,684	2,045,906
Resources expended					
<i>Costs of generating funds</i>					
Cost of generating voluntary income	5	22,393	2,342	24,735	67,881
<i>Charitable activities</i>					
Urban Regeneration	5	115,786	194,027	309,813	739,435
Community Development		8,269	51,637	59,906	182,682
Institute		91,419	134,717	226,136	565,431
Institute (Sub-Grants)		-	655,555	655,555	212,383
Business Development		193,747	330,224	523,971	632,005
Culture		3,303	7,939	11,242	48,710
<i>Governance costs</i>	5	26,513	2,613	29,126	67,010
Resources expended for programmes		461,430	1,379,054	1,840,484	2,515,537
Foreign exchange losses		104,703	-	104,703	-
Total resources expended		566,133	1,379,054	1,945,187	2,515,537
Net incoming/(outgoing) resources before transfers					
Gross transfers between funds	15	1,477,224	20,273	1,497,497	(469,631)
		20,273	(20,273)	-	-
Net incoming/(outgoing) resources		1,497,497	-	1,497,497	(469,631)
Total funds brought forward	15	1,760,329	-	1,760,329	2,229,960
Total funds carried forward	15	3,257,826	-	3,257,826	1,760,329

The statement of financial activities includes all gains and losses recognised in the period. All incoming resources and resources expended derive from continuing activities.

The notes on pages 16 to 22 form part of these financial statements.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

BALANCE SHEET

As at 31 December 2012

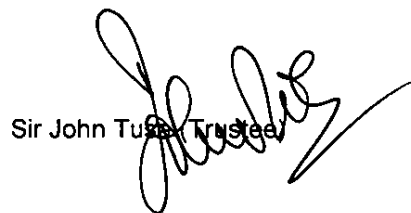
	Notes	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	9		103,462		107,112
Current assets					
Stock	10	219,692		92,272	
Debtors	11	638,492		497,636	
Cash at bank and in hand		2,511,187		1,401,327	
			3,369,371	1,991,235	
Creditors:					
amounts falling due within one year	12	215,007		338,018	
Net current assets			3,154,364		1,653,217
Net assets			3,257,826		1,760,329
			=====		=====
Reserves					
Unrestricted funds	15		3,257,826		1,760,329
Restricted funds	15		-		-
			3,257,826		1,760,329
			=====		=====

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Trustees on *13 September* 2013 and are signed on their behalf by:



Richard Keith (Chairman)



Sir John Tusa (Trustee)

Company Number: SC299579

The notes on pages 16 to 22 form part of these financial statements.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS

For the Year Ended 31 December 2012

1. Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), the Financial Reporting Standard for Smaller Entities (effective April 2008) and the Companies Act 2006.

b) Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the charitable company's ability to continue as a going concern and have reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

c) Incoming resources

Grants and donations

Voluntary income including donations that provide core funding or are of a general nature are recognised in the period in which they are receivable; which is when the Trust becomes entitled to the income, there is certainty of receipt and the amount can be measured with sufficient reliability.

Investment income

Investment income consists of bank interest and is included in the period in which it is receivable.

Activities for generating funds

Income derived from the sale of Arts and Crafts produced by the Business Development department is recognised on a receivable basis.

Volunteers

The value of services provided by volunteers is not incorporated into these financial statements. Further details of the contribution of volunteers can be found in the Trustees' Report.

d) Resources expended

Expenditure is recognised when a liability is incurred. Grant payments are recognised when a constructive obligation arises that result in the payment being unavoidable.

- Costs of generating funds are those associated with generating incoming resources, and charitable activities costs are those expended on meeting the Trust's objectives.
- Charitable activities include expenditure associated with the provision of programmes in Afghanistan to meet the Trust's primary objectives and include both the direct costs and the support costs relating to these activities.
- Governance costs are those of a constitutional, strategic or statutory nature with respect to the general running of the Trust, rather than day to day management.
- Costs directly attributable to charitable activities and governance are allocated to the appropriate activity. Support costs, including staff costs, which cannot be directly attributed to an activity are allocated on the basis of an estimate of the time or resource expended on each activity.

The Trust is not registered for VAT and therefore expenditure is stated inclusive of VAT.

e) Foreign exchange gains and losses

Transactions in foreign currencies are recorded at an average rate over the financial period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All currency differences are taken to the SOFA.

f) Tangible fixed assets

All assets costing £200 (\$300) or more are initially capitalised at cost, plus any incidental costs of acquisition.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2012

1. Accounting policies (cont'd)

g) Depreciation

Depreciation is provided on fixed assets at rates calculated to write off the cost or valuation over their expected useful lives as follows:

Furniture and fixtures	- 20% straight line
Tools and equipment	- 20% straight line
Computers and software	- 33% straight line
Motor vehicles	- 30% straight line
Leasehold buildings	- 20% straight line or term of the lease

h) Funds

Unrestricted general funds are the funds which can be used in accordance with the charitable objects at the discretion of the Trustees. As at year end a number of projects of the Trust are in progress mainly under restricted donor funding; therefore the unrestricted funds will be used for meeting those objectives of the Trust that are not covered under restricted donor funding.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor. Further details are disclosed in note 18.

i) Stock

Stocks of materials used by the Trust and products produced by the Business Development department are stated at the lower of cost and net realisable value.

2. Legal status of the Trust

The Trust is a company limited by guarantee that has no share capital. The liability of each member in the event of a winding up is limited to £1.

3. Incoming resources from generated funds

	Unrestricted funds	Restricted funds	Total 2012	Total 2011
	£	£	£	£
Voluntary income:				
Donations received	1,850,342	-	1,850,342	11,958
Grants received	-	1,399,327	1,399,327	1,752,030
	<u>1,850,342</u>	<u>1,399,327</u>	<u>3,249,669</u>	<u>1,763,988</u>
	=====	=====	=====	=====

4. Net incoming resources

	2012	2011
	£	£
This is stated after charging:		
Depreciation and loss of disposal of assets	61,694	64,894
Auditor's remuneration - audit services	13,917	17,469
- other services	876	18,511
	=====	=====

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2012

5. Resources expended

	Staff costs £	Direct costs £	Sub-total 2012 £	General Manage- ment £	Financial Manage- ment £	Human Resources £	Information Technology £	Premises and Facilities £	Program Support £	Total 2012 £	Total 2011 £
<i>Charitable activities</i>											
Urban Regeneration	119,959	141,653	261,612	10,113	5,700	180	24	186	31,998	309,813	739,435
Community Development Institute	29,284	20,293	49,577	778	317	36	5	50	9,143	59,906	182,682
Institute (Sub-Grants)	35,591	76,505	112,096	35,004	14,250	288	48	452	63,998	226,136	565,431
Business Development	-	655,555	655,555	-	-	-	-	-	-	655,555	212,383
Culture	218,227	204,557	422,784	27,225	9,500	176	36	252	63,998	523,971	632,005
	1,688	4,774	6,462	778	317	7	1	20	3,657	11,242	48,710
	404,749	1,103,337	1,508,086	73,898	30,084	687	114	960	172,794	1,786,623	2,380,646
<i>Costs of generating voluntary income</i>	7,824	9,557	17,381	1,945	792	18	3	25	4,571	24,735	67,881
<i>Governance costs</i>	7,824	13,043	20,867	1,945	792	14	2	20	5,486	29,126	67,010
	420,397	1,125,937	1,546,334	77,788	31,668	719	119	1,005	182,851	1,840,484	2,515,537

Support costs have been allocated on the following bases:

General management	Estimated time spent
Financial management	Estimated time spent
Human resources	Salary costs
Information technology	Estimated usage
Premises and facilities	Estimated usage
Programme support	Pro-rata by expenditure

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2012

6. Staff costs	2012	2011
	£	£
Wages and salaries	524,091	841,375
Employer's national insurance	2,206	2,353
	<u>526,297</u>	<u>843,728</u>
	=====	=====

The average number of employees during the year was 97 (2011: 239).

No employee earned greater than £60,000 during the year (2011: 1 employee earned between £80,000 - £90,000 during the year).

7. Trustee remuneration and expenses

During the year no Trustee was remunerated for services, although such payments are permitted by the Memorandum of Understanding.

Three Trustees received reimbursement of travelling expenses incurred on Trust activities amounting to £1,838 (2011: £1,514).

8. Taxation

The Turquoise Mountain Trust's charitable activities fall within the exemptions afforded by part 11 of the Corporation Tax Act 2010. Accordingly, there is no Corporation Tax charge in these financial statements.

9. Tangible assets

	Furniture and fixtures £	Tools and equipment £	Computers and software £	Motor vehicles £	Leasehold buildings £	Total £
Cost or valuation						
At 1 January 2012	20,591	257,397	81,918	28,215	95,380	483,501
Additions	19,718	25,652	12,672	-	-	58,042
Disposals	-	(263)	-	-	(95,380)	(95,643)
	<u>40,309</u>	<u>282,786</u>	<u>94,590</u>	<u>28,215</u>	<u>-</u>	<u>445,900</u>
	=====	=====	=====	=====	=====	=====
Depreciation						
At 1 January 2012	16,794	170,268	65,737	28,210	95,380	376,389
Charge for year	6,234	42,439	12,811	-	-	61,484
Disposals	-	(53)	-	-	(95,380)	(95,433)
	<u>23,028</u>	<u>212,654</u>	<u>78,548</u>	<u>28,210</u>	<u>-</u>	<u>342,440</u>
	=====	=====	=====	=====	=====	=====
Net book value						
At 31 December 2012	17,281	70,132	16,042	5	-	103,460
	=====	=====	=====	=====	=====	=====
Net book value						
At 31 December 2011	3,797	87,129	16,181	5	-	107,112
	=====	=====	=====	=====	=====	=====

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2012

10. Stock	2012	2011
	£	£
Raw materials	31,351	18,804
Finished goods	188,341	73,468
	<u>219,692</u>	<u>92,272</u>
	=====	=====

11. Debtors	2012	2011
	£	£
Trade debtors	37,937	101,589
Sundry debtors	140,404	44,065
Deposits	74	78
Prepayments	3,362	4,319
Accrued income - grants	456,715	347,585
	<u>638,492</u>	<u>497,636</u>
	=====	=====

12. Creditors: amounts falling due within one year	2012	2011
	£	£
Trade creditors	15,932	38,334
Other creditors and accruals	46,783	46,620
Deferred income - grants	152,292	253,064
	<u>215,007</u>	<u>338,018</u>
	=====	=====

Details of deferred grant income is as follows:

	1	Received	Released	31
	January	during	to	December
	2012	the year	income	2012
	£	£	£	£
USAID	-	571,497	(571,497)	-
Canadian International Development Agency	120,111	-	(120,111)	-
The Sackler Trust	69,535	-	(69,535)	-
Sonoma Academy	9,778	-	(608)	9,170
Masako and James Shinn	6,470	-	(6,470)	-
Australia Embassy	4,692	-	(2,433)	2,259
Japan Embassy	37,188	-	(27,169)	10,019
TFBSO	5,290	175,945	(181,235)	-
DFID	-	34,225	(32,951)	1,274
British Council	-	69,247	(20,442)	48,805
Qatar Museums Authority	-	82,126	(1,361)	80,765
	<u>253,064</u>	<u>933,040</u>	<u>(1,033,812)</u>	<u>152,292</u>
	=====	=====	=====	=====

The above grants have been deferred where conditions for their recognition in respect of matching expenditure or timing of expenditure have not been met as at 31 December 2012.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2012

13. Related party transactions

Details of related party transactions are provided on page 2 and within note 7. In addition, Turquoise Mountain Foundation US provided a donation of £Nil during 2012 (2011: £Nil) and owes £25,479 (2011: £33,917) as at 31 December 2012. The Turquoise Mountain Trust also provided direct grant funding of £10,935 (2011: £10,580) and indirect grant funding of £644,622 (2011: £201,803) to the Institute.

14. Operating lease commitments

Annual commitments under operating leases at 31 December are analysed below:-

	2012 £	2011 £
Operating leases for land and buildings which expire:		
- within 1 year	-	2,217
- between 2 to 5 years	11,690	12,227
- after more than 5 years	15,215	15,915
	----- 26,905	----- 30,359
	=====	=====

15. Reserves

	1 January 2012 £	Resources recognised to income £	Resources expended £	Transfers £	31 December 2012 £
<u>Restricted</u>					
USAID	-	610,413	(610,322)	(91)	-
Canadian International Development Agency	-	480,453	(480,453)	-	-
Government of the Islamic Republic of Afghanistan	-	-	-	-	-
Australian Embassy	-	2,272	(2,272)	-	-
SONOMA Academy	-	181	(181)	-	-
The Sackler Trust	-	20,182	-	(20,182)	-
Japan Embassy	-	26,053	(26,053)	-	-
TFBSO	-	198,708	(198,708)	-	-
DFID	-	32,951	(32,951)	-	-
Masako and James Shinn	-	6,310	(6,310)	-	-
Qatar Museums Authority	-	1,361	(1,361)	-	-
British Embassy	-	20,443	(20,443)	-	-
	----- -	----- 1,399,327	----- (1,379,054)	----- (20,273)	----- -
Unrestricted funds	1,760,329	2,043,357	(566,133)	20,273	3,257,826
	----- 1,760,329	----- 3,442,684	----- (1,945,187)	----- -	----- 3,257,826
	=====	=====	=====	=====	=====

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS *(cont'd)*

For the Year Ended 31 December 2012

15. Reserves *(cont'd)*

Restricted fund projects:

- i. **USAID** - Turquoise Mountain has entered into an eight year contract agreement with USAID which will provide significant funding and support for a large percentage of Turquoise Mountain activities. The USAID funded projects are predominately based around economic growth both for the residents of Murad Khane and the students within the Institute.
- ii. **Canadian International Development Agency (CIDA)** have provided significant funding and support towards a broad range of Turquoise Mountain's projects, including security of premises.
- iii. **Government of the Islamic Republic of Afghanistan (GoIRA)**, through the Ministry of Urban Development, have provided support for building projects within Murad Khane, including the two Woodwork Schools sites, the Great Serai Extension, and the Double Column Serai.
- iv. **The Australian Embassy**, Kabul provided funds for a Ceramics production workshop for graduates from the School of Ceramics.
- v. **SONOMA Academy** provided funding for the construction and running costs of the Murad Khane Public School.
- vi. **Sackler Trust** provided funding for the transitional move of the Institute to Murad Khane and its related fit-outs. During the year they approved the transfer of the remaining funds to the endowment fund of Turquoise Mountain Trust.
- vii. **The Japan Embassy (GAGP)** have provided funding for the construction and set up of the *FerozKoh* Family Health Clinic. They helped purchase various medical equipment and assisted in the completion of the construction of the Clinic.
- viii. **Task Force for Business and Stabilization Operations (TFBSO)** is focused solely on the Business Development department to determine target markets, research and develop new products, develop promotional and sales materials, create new sales channels and build Afghan capacity and mentor local businesses.
- ix. **DFID** supports weekly vocational training programme for unskilled women and men which provides them the necessary skills to gain employment in the Afghan crafts sector. The training takes place on Saturdays in order to allow participants to work full-time.
- x. **Masako and James Shinn** paid a fee to make documentary film.
- xi. **Qatar Museums Authority** have provided funding for an exhibition of products at the Museum of Islamic Art, Doha, Qatar in March to June 2013.
- xii. **British Council** have provided funding to develop the jewellery and calligraphy departments at the Institute.

16. Transfers

There was a transfer in the year from restricted to unrestricted funds of the residual amount on a grant payment which the donor had agreed can be retained by the Trust to meet its charitable objectives.