

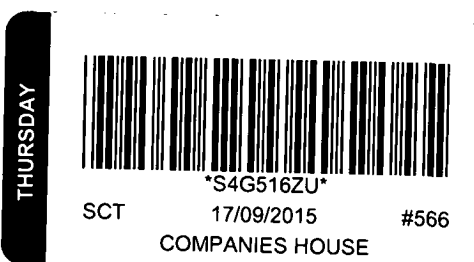


TURQUOISE MOUNTAIN
TRUST

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

REPORT and FINANCIAL STATEMENTS

For the Year Ended 31 December 2014



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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 2014. The financial statements have been prepared in accordance with the accounting policies set out on pages 20 and 21 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 (as amended), 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>	Turcan Connell LLP, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 9EE
1.4 <u>Advisors</u>	
Auditor:	Chiene + Tait LLP, 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 2014 and at the time of the approval of the financial statements were as follows:

- Richard Keith
- Edward Viscount Chelsea
- Sir Thomas Shebbeare
- Khaled Said
- Sir John Tusa KBE
- Tamim Samee
- Sir William Patey
- Richard Derryhouse

1.6 Executive Chairman and Senior Management Staff

Richard Keith remained Chairman of the Board and Shoshana Clark Stewart remained 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

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TRUSTEES' REPORT *(cont'd)*

objectives in Afghanistan. Turquoise Mountain Foundation is registered as a charitable organisation in Afghanistan.

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 Chairman or CEO.

2.4 Related Parties

The Turquoise Mountain Trust (TMT) is a Prince's Charity.

Turquoise Mountain Foundation US (TMF US) - based in Washington DC, USA - is a separate organisation which works to support 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.

Turquoise Mountain Trading Limited (TMTL) is a 100% subsidiary of TMT and was established in 2014. TMTL did not trade in the period.

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.

3. Objectives and Activities

3.1 Objectives of the Charity

In January 2014, the Board agreed, and subsequently the Office of the Scottish Charities Regulator agreed, to a charter change amended as follows:

The Trust's constitution sets out its objectives: to promote education and rural and urban regeneration in areas of social and economic deprivation in primarily, but not restricted to 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;

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TRUSTEES' REPORT (cont'd)

- The advancement of the arts, heritage, culture or science; and
- Other charitable purposes related to the above.

3.2 Charity's Aims

The aims of the Trust are outlined as:

- Establish a school of traditional Islamic craft and architecture in the old city of Kabul.
- To conserve and rehabilitate buildings and public spaces in the surrounding areas of the old city.
- Rebuild the traditional craft industry through support to artisans and sales.
- Implement exhibitions and other cultural programmes.
- Develop links with construction companies, commercial trading and export houses in line with its charitable purposes.

3.3 Main Objectives for the Period

The main objectives of the Trust for 2014 were:

- Supporting Afghan management of TMI as they continue running the Institute for Afghan Arts and Architecture
- Development of the Afghan Arts and Crafts industry
- Culture and Heritage promotion
- Urban Regeneration of Murad Khani (MK)
- Community Development in MK
- Establish initial operations Burma.

3.4 Strategies to Achieve the Charity's Objectives

Our strategies to achieve these objectives are:

- On-going restoration and maintenance of Murad Khani 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 on-going 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 Khani 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, recruit Director, and establish operations in Burma.
- Manage effectively the finances and assets.

TRUSTEES' REPORT (cont'd)

3.5 Volunteers

Turquoise Mountain Trust was assisted by volunteers during 2014.

4. Achievements and Performance

During the year ending 31 December 2014 Turquoise Mountain's achievements included the following:

Business Development

High-profile international and domestic orders for Turquoise Mountain

In 2014, there were a number of orders from high-profile retailers in the US and the UK. These included a substantial order from the Oriental Institute in Chicago, and from the Smithsonian Museum Shop in Washington D.C. The latter is particularly exciting given the high footfall the Smithsonian receives and the success of its retail outlets. Turquoise Mountain has also been approached to produce merchandise to coincide with an exhibition about Afghanistan at the Imperial War Museum in London. Receiving hundreds of thousands of visitors each year, this is again an opportunity which offers huge advantages both in terms of heightened public profile and in sales.

Mecca Project

Turquoise Mountain won a contract to provide all wall-art for the 5-Star Anjum Hotel in Mecca in 2014. The order was sub-contracted to several supported businesses, including Atelier UN, Afghan Traditional Pottery and Meftah-e-Hunar calligraphy and illumination. Together these businesses will provide over 500 ceramic plates and bowls, 400 carved wood panels, 5000 prints and over 400 original calligraphy and illumination works. There will be prints hanging in every guestroom, original calligraphy, bowls and wood panels hanging in every corridor and original calligraphy and illumination artworks in the suites and suite lounges. In addition to creating employment and helping to build capacity in the craft sector, it is hoped that this commission will act as a springboard to more similar contracts in the Gulf and beyond.

The Afghan Embassy in London has put up a piece about Mecca project Commission on their website: <http://afghanistanembassy.org.uk/english/?p=661>

Graduate Businesses

- **Bloomingdales** – Turquoise Mountain participated in its first trunk shows at Bloomingdales in the US. Turquoise Mountain jewellery was well received and we are now pursuing potential permanent stocking.
- **New Retail Outlets** – Turquoise Mountain products have now started retailing in various museum shops, including the Smithsonian Museum Shop, the Imperial War Museum Shop in London, and the University of Chicago shop.
- **New Design Partnerships** – Turquoise Mountain has been approached by the US jewellery designer Bajalia, on a c.700 piece jewellery order. This complements the third line of jewellery we are currently producing for the UK high-street retailer Monsoon. We have also now created design pieces and furnishings for several new Monsoon shops in the UK, mostly woodwork and ceramics.
- **New Domestic Orders** - Turquoise Mountain artisans are increasingly working with Afghan clients, including HE President Ashraf Ghani, CEO Dr. Abdullah Abdullah, and prestigious public buildings.
- **New Crafts** – Turquoise Mountain in 2015 will expand the range of crafts it supports and brokers, including most excitingly our first carpet production. Our aim is to focus on the high-end of the market, and we already have several US designers lined up to collaborate with Afghan carpet-makers. Such carpets will both complement our existing crafts, sharing a similar level of quality of design and production, and also allow us to increase revenue streams through sales.

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TRUSTEES' REPORT *(cont'd)*

New Partnerships

- India – we are increasingly working with the Indian government on various projects, including furnishings and design work for their new embassy, as well as the new Afghan parliament building. Alongside this, we are proposing to partner with the Indian government to build a new woodworking cooperative which would allow the woodworking graduates of the Turquoise Mountain Institute access to shared high-quality machinery and seasoned wood.
- Saudi Arabia – In December 2014, Turquoise Mountain met with an architecture firm in Atlanta, Georgia which has the contract to build the world's largest hotel, in Mecca, Saudi Arabia. Turquoise Mountain is advising this firm on interior design, and encouraging them to include Afghan crafts as part of their design and build. Alongside market development, Turquoise Mountain is also pursuing a consultancy in Saudi Arabia, to advise the Saudi Arabian government on developing its own craft industry. This would be a valuable job for the artisan sector.
- Afghan-American Chamber of Commerce – Turquoise Mountain was recently chosen as the keynote speaker at the AACC ten year anniversary annual meeting in Washington D.C. The event was a great success, and we will be the keynote speakers again in February 2015 in Dubai. This is part of a strategy of encouraging support and investment from the Afghan diaspora in the US.

Notable Business Commissions

2014 also recorded a number of highly prestigious international sales. Turquoise Mountain provided a large order of woodwork and ceramics for the British high street fashion retailer Monsoon, to be used in two of their new concept stores. This order followed a visit to Turquoise Mountain in Kabul by Monsoon CEO and Founder Peter Simon, and marks the next step in what could be a hugely valuable relationship for Turquoise Mountain's supported businesses. With over 1000 stores worldwide, the prospect of providing furniture for the interiors of Monsoon shops is one with substantial commercial potential.

Turquoise Mountain is collaborating in a project with Peter Pennoyer Architects in the United States, producing Jali Panels for a beautiful town house in upstate New York. It is hoped this commission will be the first in an exciting partnership with the American Architecture firm.

Cooperative Workshops

In order to accommodate increasing numbers of new graduate businesses Turquoise Mountain has begun the creation of a series of cooperative workshops. These workshops involve the reorganization of existing equipment and machinery. A number of artisans in Murad Khani (currently three businesses and 4 individuals) have moved into a new open plan workspace designed to accommodate both individuals and larger businesses. This layout will increase the number of artisans able to access Turquoise Mountain owned specialist equipment and avoid the monopolisation of machinery by individual businesses.

Cultural Programmes

- Turquoise Mountain's exhibition that originated at the Museum of Islamic Art in Doha, travelled to Leighton House in London and remained open until February of 2014, attracting visitors, media and potential commissions that have helped to grow the Afghan craft sector.
- Turquoise Mountain secured an exhibition about Afghan kites at the Victoria & Albert's Museum of Childhood in London opening in 2015.

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TRUSTEES' REPORT *(cont'd)*

Institute

In 2014, 141 students (112 male, 29 female) benefited from the three-year diploma courses offered by the Turquoise Mountain Institute, studying in one of four departments: calligraphy and miniature painting; gem-cutting and jewellery-making; woodwork; and ceramics. In February 2014, 30 students (27 male, 3 female) successfully completed their three-year academic course in the four vocational schools of the Institute.

City & Guilds

- Final year students from the jewellery, woodwork, ceramics, calligraphy & miniature painting departments completed their City & Guilds project, marking the final stage of their three-year training. Supporting documentation was sent to the City & Guilds regional office in Dubai for assessment and approval. The Director of the Institute is liaising with City & Guilds in order to receive the certification for students.

Ministry of Education activity

- The Ministry of Education, Technical Vocational and Education Training section approved the certification of the Institute's 2013 graduates 30 (27 male, 3 female). The Ministry also approved the documentation of first year (2014) students including their education certificates and exam scores.

Cultural activities

- On 21 February 2014, Turquoise Mountain Institute held an exhibition at the Afghan National Museum in Kabul celebrating Ghazni as the 2013 City of Islamic Civilization and Culture and drawing inspiration from Ghaznavid objects found at the Afghan National Museum. Students produced 50 pieces for the show, from woodwork and ceramics, and jewellery and miniature painting. Many international organizations participated in the exhibition, alongside a number of prestigious national institutions and distinguished individuals.
- The Culture Department ran a series of calligraphy workshops for local children 134 (65 Male, 69 Female) attending the Murad Khani Primary School. Current students of the Institute's Calligraphy School taught the primary school children the ancient *Nastaliq* script – the most popular contemporary style among classical Persian calligraphy scripts. They put these skills to use creating simple calligraphy pieces that were displayed in a small exhibition to in Murad Khani. The workshop provided a fun introduction to Afghan traditional arts for the primary school students, as well as fostering stronger links between TMI and the local community.
- On October 2014, Turquoise Mountain Institute ran the Afghan National Calligraphy Competition which was named after one of Afghanistan's most famous calligraphers, Ali Herwai, who lived in Herat during the Timurid period of the 15th and 16th centuries. The competition aims to increase interest in and awareness of Afghanistan's rich calligraphy traditions, while also encouraging and showcasing the work of talented Afghan artists. Ten shortlisted calligraphers completed a one week series of workshop at Turquoise Mountain Institute. An exhibition showcasing their final pieces was held in December 2014 at the Turquoise Mountain compound. The exhibition was very well received by the hundreds of visitors and dignitaries that visited. The three winners received prizes provided by the Turquoise Mountain Institute and presented to them by a representative from the Ministry of Information and Culture. The first prize was awarded to Sughra Husaini, a third year student of the TMI Calligraphy Department.

Students site visits

Site visits were conducted to expose all students to the unique design influences of Afghanistan. Visits were made to: the Kabul Museum, the National Gallery, (TVET) Expo, Salam Khana and Dill Gusha palaces at presidential palace, Chelsetoon Palace and other sites of historical and cultural significance.

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TRUSTEES' REPORT *(cont'd)*

Craft Classes for Local Orphans

Turquoise Mountain Institute signed a MoU with Shamsa Children village centre, an orphanage in Kabul, to provide calligraphy classes for 20 children at the Institute once a week for two months. The classes, starting in January and finishing at the end of February 2014 were taught by two female calligraphy graduates, and were a huge success, giving the children a fun yet educational break from their normal routine. The classes also provided excellent employment and work experience for the unemployed graduates. A small exhibition of the children's works was displayed in the annual New Year celebration held in Murad Khani on March 2014.

Build better links to the community and other art institutes

Every year Turquoise Mountain joins with the local community in celebrating a traditional Nawruz event. This year, the Nawruz event, organized by Turquoise Mountain, was held on March 22, 2014. The celebration included Afghan music, a short theatrical performance by the students of Murad Khani Primary School and an exhibition of the calligraphy pieces produced by orphanage children and war victims.

Turquoise Mountain has become one of the most important tourist destinations for national and international visitors in Kabul. Each month Turquoise Mountain staff tour about 20 national and international visitors around Murad Khani and the Institute. The visitors are guided through the restored historical buildings and student classrooms, and shown examples of the artwork produced. The traditional architecture of Murad Khani and the Institute has become iconic, being used by film makers and in the video-clips of several famous Afghan singers. The media has made several documentaries of our schools and students artwork that have been broadcasted on national television. Moreover, several high profile visitors such as ambassadors and the Former President of Afghanistan Hamid Karzi visits acted as a springboard for sales and profile-raising.

Curriculum review

The Institute conducted a review of all current curricula on April 2014. The review incorporated lessons learnt by teachers, information about market demand, and inputs from Dr Thalia Kennedy, an international expert in art pedagogy who visited for 4 days in February. Through this process, the Institute aims to continually improve the quality of the education offered at the Institute, and respond flexibly to the shifting environment of Afghan business and the wider craft industry.

To date, Turquoise Mountain Institute has trained 497 (148 female, 351 male) students in its three year full time vocational programme and one year programme. The one year programme which was funded by DFID finished on July 2014.

Community Development

The Ferozkoh Family Health Centre (FFHC) provides medical services to a wide range of patients.

Tuberculosis programme

The TB programme offers free services – including medicine and treatment to TB patients. Since January 2014, 52 suspected TB carriers were examined. Of these, four were confirmed cases of tuberculosis. Two patients are currently receiving TB treatment; the final patient has been successfully treated and transferred out of the programme.

Health education

The Health Centre provides biweekly lectures to patients and people from the local community to improve health awareness. During this reporting period, health awareness sessions were given in the Ferozkoh Family Health Centre and the Shrine on a weekly basis.

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TRUSTEES' REPORT (cont'd)

Health awareness sessions held in 2014 include:

- Nutrition during pregnancy (3 trainings, 19 participants)
- Breast feeding (3 trainings, 12 participants)
- Patient visits at ANC (8 trainings, 19 participants)
- Visit of pregnant women (3 trainings, 12 participants)

Primary Education

The Murad Khani Public School (MKPS) is now registered with the Ministry of Education and fully administered by them. Turquoise Mountain Trust established the Children Education Centre and continues to provide a high standard of education for the children of the local community. As of June 2014, 134 (72 boys, 58 girls) are enrolled in Children Education Centre. The students have participated in a calligraphy workshop organised by the Turquoise Mountain Institute, and are due to take part in a field trip to Skateistan – a nearby skateboarding charity – in the coming weeks.

In August 2014, the Principal Nasir sent five students from the children education centre to Skateistan to learn and play skate boarding, also all students from the school had a field trip to Skateistan – a nearby skateboarding charity.

Engineering Section

- With major reconstruction work of core buildings in Murad Khani completed by late 2011, There have been ongoing repair works within the community and to the Institute during the past year including: maintenance and enhancements to the Institute and community houses; removing and replacing damaged stone plates; and miscellaneous repairs such as appointing doors, drain cleaning and rebuilding the ruined walls of houses in need. Plastering work and repairs have also been made to Bazaar shops in the local area.
- In 2014, Turquoise Mountain's Engineering Department completed the restoration of the historic Symmetrical House and another six houses in Murad Khani. The Engineering team also completed decorative woodwork for nine shops, two bakeries, three hotels, a pharmacy and an old hammam (public bath) in Murad Khani. These works have contributed to the improvement of the urban and economic fabric of the local community.
- To date Turquoise Mountain has restored 112 buildings in Murad Khani, including 47 in the Bazaar, 5 in the Institute and 59 residential buildings in the community. 21 buildings have been newly built and 42 toilets have been improved. In June 2014, the engineering team completed restoration of symmetrical house in Murad Khane. The Engineering team have also completed maintenance and improvements to the Institute buildings, community houses, Engineering office, and Clinic; removing and replacing damaged stone plates; and miscellaneous repairs such as repairing doors, cleaning drains and rebuilding walls. Plastering work and repairs have also been made to Bazaar shops in the local area.
- As part of new Kitchen Gardening programme, the Engineering department has planted over 60 trees around the Old City in March 2014, and constructed two allotments. 10 women from the local community will be trained on these allotments, learning how to grow vegetables in their own courtyards, alongside the tools and materials they need to begin their own garden.

TRUSTEES' REPORT (cont'd)

4. Achievements and Performance (cont'd)

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

TMT managed a staff and labour force of 71 with total spending (before losses on foreign exchange) of £2.31 million in 2014. TMT is now under full Afghan management, with an experienced national staff taking over responsibilities.

Turquoise Mountain's Institute for Afghan Arts and Architecture (now TMI) completed its fourth year as a government registered private educational institution and its ninth 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 also run a one-year vocational course in basic woodwork, jewellery, and textiles for 168 (98 male, 70 female) students. The one year vocational course funded by DFID finished on July 2014. The student body at the end of 2014 stood at 339 (234 male, 185 female) students. There are currently 30 masters teaching practical classes, and 9 teachers providing classes in supplementary subjects these include: IT, art history, graphic design, geometric design, business, Sharia law, English, Dari and Pashto. The supplementary classes are conducted according to Ministry of Education TVET requirements. The Institute has accreditation with the international awarding body, City & Guilds, and the student graduation ceremony was held during the Alumni event on 20 November, 2014, and awarded certificates for 29 students.

Urban Regeneration activities in 2014 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 Khani, 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, cultural activities and kitchen garden project for the community women. These construction projects also provided opportunities to over thirty unskilled and semi-skilled labourers to learn the basic skills of traditional architecture. They have received training in traditional masonry, woodwork, electrical wiring and plumbing.

The Business Development Department continued to provide mentoring and support to craft businesses as part of creating international demand, as well as help to set up several graduate businesses in the old city of Kabul Murad Khani. The Business Development staff have made several successful trips to UK, US and Europe to strengthen and develop TMT's sales networks.

In 2014, Turquoise Mountain-supported businesses made over \$800,000 of sales, up from \$470,000 in 2013. Turquoise Mountain supported 12 small and medium-sized artisan businesses directly in 2014, employing 88 people. The revenues from these sales supported many hundreds more up the value chain.

In 2014, Ferozkoh Family Health Centre (FFHC) saw almost 17,619 (12,811 female, 4,808 male) patients including attendees and re-attendees. 72% 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 Immunisation (EPI) directorate on 5 December 2012. The FHC provide free services to community including BCG, OPV, DPT, TT and Measles vaccines. On 1st January 2013, Turquoise Mountain made an agreement with Morning Star Development, a non-profit organisation based in the United States. Through this grant Morning Star provides overall support to Ferozkoh Family Health Centre (FFHC) including health care and related services and is contributing to the creation of a model approach to sustainable primary health care in Murad Khani and beyond.

TRUSTEES' REPORT *(cont'd)*

In 2014, Turquoise Mountain Business Development department also secured and delivered its largest and most prestigious commercial contract yet, generating hundreds of thousands of dollars of business for Afghan artisans. The commission was to provide interior decoration (woodwork, calligraphy, ceramics) for a five-star hotel in Mecca. Having secured the commission, Turquoise Mountain sub-contracted it to several different Afghan artisan businesses, in calligraphy, woodwork, and ceramics. Turquoise Mountain then intensively mentored these businesses in order to ensure that the commission was completed on schedule and to a high quality. This was a steep and important learning experience for many of the young businesses.

a. Organisation for Afghan Arts and Architecture

- Organized the Afghan National Calligraphy Competition
- Producing high profile international and domestic orders for Turquoise Mountain
- Strengthening of relations with government and cultural institutions
- Publishing a woodwork book written by one of the Institute's Master Craftsmen
- Participating in the South Asia Association for Regional Cooperation (SAARC) conference held in Nepal
- Held an Alumni event and distribute certificates to all past graduates
- Improved students' practical work to prepare them for the rigorous standards they must meet if they are to succeed in selling their products in the international market;
- Maintained the Institute website and management information system, and Institute Facebook.
- Recruited new students for the Institute

b. The Murad Khani Urban Regeneration Project

Restoration and conservation activities of core buildings in Murad Khani were completed during 2011. In 2014, there was on-going repair works within the community including: removing and replacing damaged stone plates; garbage removal; and additional repairs such as appointing doors, drain cleaning and rebuilding ruined walls. The Urban Regeneration team has also completed the restoration work of historic Symmetrical House and another six houses in Murad Khani. The Engineering team also completed decorative woodwork for nine shops, two bakeries, three hotels, a pharmacy and an old hammam (public bath) in Murad Khani. These works have contributed to the improvement of the urban and economic fabric of the local community

- Cleared approximately 1,092m³ of rubbish, with a total of over 34,000m³ over the life of the project.
- Continued work on clearing of drainage channels and paving of streets.

c. Community Development in Murad Khani

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

- 17,619 (12,811 female, 4,808 male) patients visited the clinic during 2014 that 72% of whom were women and children
- The vaccine centre was opened at the clinic in December 2012, it now provides free vaccine services to the community including BCG, OPV, DPT, TT and measles vaccines.

TRUSTEES' REPORT (cont'd)

- The Tuberculosis Detection Program, set up in January 2012, continues to detect and treat TB cases. Since January 2014, 52 suspected TB carriers were examined. Of these, four were confirmed cases of tuberculosis. Two patients are currently receiving TB treatment; the final patient has been successfully treated and transferred out of the programme.
- 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.
- Primary education programmes provide a high standard of education for the children of the local community. A recent survey showed that 94 per cent of community members believed the Turquoise Mountain School provided good or very good education. A total of 134 (72 boys, 58 girls) are currently studying at the Primary School.
- Community literacy classes continued through a local craft business, textile project funded by Australian Embassy. 20 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:

- Over the last year Turquoise Mountain's Business Development Department has helped set up seven graduate businesses, and has provided mentoring and support to over five more. Not only has Turquoise Mountain been able to secure work for these young businesses, Turquoise Mountain has also trained staff in quality control, customer relations and production management. The emergence of these independent businesses represents an important stage in the process of building a sustainable and dynamic future for Afghanistan's growing craft industry.
- In 2014, Turquoise Mountain-supported businesses made over \$800,000 of sales, up from \$470,000 in 2013. Turquoise Mountain supported 12 small and medium-sized artisan businesses directly in 2014, employing 88 people. The revenues from these sales supported many hundreds more up the value chain. For example, for every jeweler supported and employed in Kabul, we estimate a further four people are supported in the gemstone value chain (gem suppliers, transporters, artisanal miners, and so on).
- In 2014, Turquoise Mountain secured and delivered its largest and most prestigious commercial contract yet, generating hundreds of thousands of dollars of business for Afghan artisans. The commission was to provide interior decoration (woodwork, calligraphy, ceramics) for a five-star hotel in Mecca. Having secured the commission, worth \$550,000, Turquoise Mountain sub-contracted it to several different Afghan artisan businesses, in calligraphy, woodwork, and ceramics. Turquoise Mountain then intensively mentored these businesses in order to ensure that the commission was completed on schedule and to a high quality. This was a steep and important learning experience for many of the young businesses.
- 2014 also saw a marked development of Turquoise Mountain's client base. Whereas in previous years Turquoise Mountain's sales were predominately formed of sales to individuals and small retailers, this year Turquoise Mountain has broken into the world of large-scale interior design contracts. These contracts – substantial in size and public profile – mark an important moment in the development of the Afghan craft industry, capable of bringing simultaneous, widespread employment to craftsmen across a diverse range of disciplines. Moreover, our first large contract in Saudi Arabia builds on our 2013 international exhibition at the Museum of Islamic Art in Qatar, which travelled to Leighton House Museum in London in 2014, and illustrates how Turquoise Mountain is increasingly accessing potentially large Gulf markets. The exhibitions and on-the-job trainings not only improve skills of Afghan artisans, they also generate commissions and jobs.

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TRUSTEES' REPORT (cont'd)

4.2 Significant Fundraising Activities

Turquoise Mountain consolidated its financial position by securing additional commitments from donors, amounting to £324,495. Major donors for the year included USAID, DFID, the Task Force for Business and Stability Operations, British Council, Danish Embassy, LornThyssen and other grant income providers. Incoming resources from these donors during 2014 amounted to £1.2 million. Incoming resources during the year from other donations and other income amounted to £0.8 million.

Turquoise Mountain has raised significant funds for the future running of the Institute and its other programmes, and manages this in accordance with its fundraising and investment plan. It also continues to seek funding for on-going and growing programmes.

4.3 Communications Activities

During 2014, the Communications team promoted the organisation's profile in the international as well as in the Afghan media. Major activities included:

- Turquoise Mountain receives dozens of visitors each month – both Afghan and international – to the restored buildings of Murad Khani and the Institute for Afghan Arts and Architecture. This rejuvenated part of the Old City of Kabul features regularly in the international press and on Afghan television. In 2014 the story of the transformation of Murad Khani was featured in:

Radio Azadi: <http://da.azadiradio.org/content/transcript/26729738.html>

New York Times: [In Afghanistan, Creating Jewelry in the Midst of Conflict](#)

BBC News: [Regeneration and entrepreneurs bring hope to Afghanistan](#)

http://www.bbc.com/persian/afghanistan/2014/12/141223_k03_photos_afghan_caligraph
Y

National Geographic: [Interview with Rory Stewart, founder of Turquoise Mountain](#)

Freer|Sackler Galleries, Smithsonian Museums: [Turquoise Mountain: Art and Transformation in Afghanistan](#)

LE JOUR: <http://www.lorientlejour.com/article/885629/la-renaissance-de-murad-khane-en-afghanistan.html>

National Radio Television of Afghanistan (RT): <http://www.rta.org.af/index.php/culture-art/1647>

Deutsche Welle: [احیای هنرهای کلاسیک افغانی در مرادخانی کابل](#)

- Held a number of exhibitions of student and graduate work, helped organise a very successful community Nawroz 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.
- Developed and written annual workplan for TMT and TMI components to smooth the implementation of the project.
- Written several TMI artisans success stories which were published in USAID website

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT *(cont'd)*

5. Financial Review

The financial review has been outlined in detail in the strategic report at section 9 of this report.

6. Plans for Future Periods

Plans for future periods have been outlined in detail in the strategic report at section 9 of this report.

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 including the Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year, 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 income and expenditure, of the charitable company for that period. In preparing these financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principals in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards 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 charitable company 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 (as amended). They 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 charitable company'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

Our auditors, Chiene + Tait, have advised us that as of 1 October 2014 they transferred their entire business to Chiene + Tait LLP. The Board have therefore appointed Chiene + Tait LLP as auditors with effect from 1 October 2014 and that appointment will fall to be confirmed at the Annual General Meeting.

TRUSTEES' REPORT (cont'd)

9. Strategic Report

The Trustees are pleased to present their strategic report for the year ended 31 December 2014.

9.1 Fair review of the Business including Key Performance Indicators

During 2014, 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.

Turquoise Mountain consolidated its financial position by continuing activities under donor funding. Incoming resources during 2014 amounted to £1.2 million from restricted donor funding and £0.6 million from unrestricted donations and other income. Total incoming resources thus totalled £1.8 million, as compared to the expended resources of £2.6 million, excluding exchange gains.

Total reserves as at 31 December 2014 amounted to £3.1 million (as at 31 December 2013: £3.4 million). Assets and liabilities as at 31 December 2014 were respectively £3.3 million and £0.2 million; leaving a net assets balance of £3.1 million.

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 on-going and future charitable activities of TMT.

During 2014, restricted expenditure accounted for £1.1 million, 50% of total expenditure of £2.3 million for the year. Expenditure out of unrestricted reserves was £1.2 million i.e. 50% of total expenditure for the year.

Investment Policy

The organisation has kept reserves liquid during 2014 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.

Reserves

The reserves as at 31 December 2014 are £3.1 million (funds balance as at 31 December 2013 £3.4 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 2014-15. These reserves will be handled in line with the Investment Policy adopted by the TMT board.

9.2 Principal risks and uncertainties

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.

TRUSTEES' REPORT (cont'd)

9. Strategic Report (cont'd)

9.3 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. In 2015 Turquoise Mountain will look 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 relationships with its donors.

Business Development: Plans for 2015

The Business Development Department will help graduates businesses to set up and function independently and register with AISA. Work will then be sub-contracted by Turquoise Mountain to these independent businesses, and in some cases taken directly. Main activities for this year will include:

- Support the development of Afghan craft businesses
- Conduct business mentoring sessions
- Assist businesses in reaching international quality standards
- Run business development workshops
- Generate and help businesses to fulfil commissions
- Promote traditional Afghan crafts through international exhibition and sales events
- Pursue and oversee the fulfilment of commissions
- Develop marketing materials and the Turquoise Mountain brand
- Promote traditional Afghan crafts through national sales events and exhibitions

Education: Plans for 2015

In 2015, TMI will continue to maintain its status as Afghanistan's premier arts education facility. Activities will include:

- Working on the next 5 year plan of the Institute from 2016 -2020
- Recruit a new class of students for the four schools and begin a new academic year during March/April 2015.
- 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.
- Conduct site visits to give students exposure and knowledge of unique local design influences and historic traditions of Afghanistan.
- 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 expertise 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.

THE TURQUOISE MOUNTAIN TRUST
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TRUSTEES' REPORT (cont'd)

9. Strategic Report (cont'd)

- Promote the work of TMI within the local community of Murad Khani through Nawruz event, the annual student art exhibition in Murad Khani, and tour of Murad Khani children from the Institute workshops and premises.
- 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 Khani Community Development: Plans for 2015

Community Development will continue its education and health programmes in 2015. In particular TMT will:

- Enable the FFHC to continue operating in the area, managed by Morning Star Development, but with operational costs funded by TMT.
- Fundraise for the clinic
- Deliver community outreach programmes on health and hygiene
- Continue training of teachers and provision of classes to children, and provide textile training to women of the Murad Khani.
- Continue to discuss community maintenance with the Shura.

Murad Khani Urban Regeneration Project: Plans for 2014

In 2015, the Murad Khani 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 where funding is available.
- Continue Community building work, including emergency repairs to residents' houses.
- Complete maintenance work.

Communications: Plans for 2015

The priorities for 2015 include:

- Help the development of a new website for TM, and maintain it on regularly basis
- 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.
- Maintain relations with existing and potential donors
- Manage Communications Department information systems
- Support evidence-based programme planning
- Produce communications and public relations materials

The Trustees' Report and the Strategic Report have been approved by the Trustees on 11 September 2015 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 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company'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 charitable company's members and 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 charitable company, the charitable company's 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 page 13, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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; and
- Have been prepared in accordance with the requirement of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF

THE TURQUOISE MOUNTAIN TRUST (cont'd)



Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report (including the Strategic 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 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.

Malcolm A Beveridge

Malcolm Beveridge BA CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT LLP

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh, EH3 6NL

11 September 2015

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

STATEMENT of FINANCIAL ACTIVITIES

For the year ended 31 December 2014

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2014 £	Total Funds 2013 £
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income: donations	3	224,934	-	224,934	841,488
Investment income: bank interest		738	-	738	789
<i>Incoming resources from charitable activities</i>					
Grants received		-	1,166,074	1,166,074	1,298,037
Project income		15,176	-	15,176	-
Sale of goods		377,776	-	377,776	304,048
<i>Other income</i>					
Foreign exchange gains		220,264	-	220,264	-
Total incoming resources		838,888	1,166,074	2,004,962	2,444,362
Resources expended					
<i>Costs of generating funds</i>					
Cost of generating voluntary income	5	49,322	4,276	53,598	33,839
<i>Charitable activities</i>					
Urban Regeneration - Kabul	5	206,204	47,890	254,094	285,372
Urban Regeneration - Burma		8,316	45,747	54,063	-
Community Development Institute		94,989	34,902	129,891	109,949
Institute		246,325	8,332	254,657	198,284
Institute (Sub-Grants)		-	741,833	741,833	785,255
Business Development		522,590	257,755	780,345	712,500
<i>Governance costs</i>	5	41,131	4,497	45,628	61,310
Resources expended for programmes		1,168,877	1,145,232	2,314,109	2,186,509
Foreign exchange losses		-	-	-	82,471
Total resources expended		1,168,877	1,145,232	2,314,109	2,268,980
Net (outgoing)/incoming resources before transfers		(329,989)	20,842	(309,147)	175,382
Gross transfers between funds	17	20,842	(20,842)	-	-
Net (outgoing)/incoming resources		(309,147)	-	(309,147)	175,382
Total funds brought forward	16	3,433,208	-	3,433,208	3,257,826
Total funds carried forward	16	3,124,061	-	3,124,061	3,433,208

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 22 to 29 form part of these financial statements.

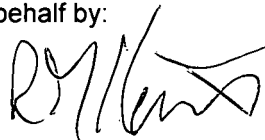
THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

BALANCE SHEET

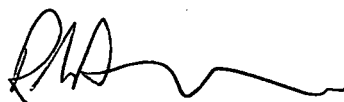
As at 31 December 2014

	Notes	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	9		14,021		65,322
Investments	10		5,000		-
			<u>19,021</u>		<u>65,322</u>
Current assets					
Stock	11	127,765		125,891	
Debtors	12	390,328		538,245	
Cash at bank and in hand		2,744,731		2,793,182	
		<u>3,262,824</u>		<u>3,457,318</u>	
Creditors:					
Amounts falling due within one year	13	157,784		89,432	
		<u></u>		<u></u>	
Net current assets			3,105,040		3,367,886
Net assets			<u>3,124,061</u>		<u>3,433,208</u>
			<u>=====</u>		<u>=====</u>
Reserves					
Unrestricted funds	16		3,124,061		3,433,208
Restricted funds	16		-		-
			<u>3,124,061</u>		<u>3,433,208</u>
			<u>=====</u>		<u>=====</u>

The financial statements were approved by the Trustees on 11 September 2015 and are signed on their behalf by:



Richard Keith (Chairman)



Richard Dwerryhouse (Trustee)

Company Number: SC299579

The notes on pages 22 to 29 form part of these financial statements.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

CASH FLOW STATEMENT

For the year ended 31 December 2014

	2014 £	2013 £
Reconciliation of net incoming resources to		
Net cash flow from operations		
Net (outgoing)/incoming resources	(309,147)	175,382
Interest received	(738)	(789)
Depreciation	8,290	46,238
Value of tangible fixed assets donated	45,991	-
(Increase)/decrease in stocks	(1,874)	93,802
Decrease in debtors	147,917	100,248
Increase/(decrease) in creditors	68,352	(125,575)
	-----	-----
Net cash inflow from operations	(41,209)	289,306
	-----	-----

CASH FLOW STATEMENT

Net cash (outflow)/inflow from operations	(41,209)	289,306
Returns on investments and servicing of finance		
Interest received	738	789
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(2,980)	(8,103)
Payments to acquire fixed asset investments	(5,000)	-
	-----	-----
(Decrease)/increase in cash in the year	(48,451)	281,992
	=====	=====

Analysis of movement in net funds during the year

	1 January 2014 £	Cash flow £	31 December 2014 £
Cash at bank	2,793,182	(48,451)	2,744,731
	=====	=====	=====

The notes on pages 22 to 29 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 2014

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), and the Companies Act 2006.

b) Going concern

The financial statements have been prepared on a going concern basis. The Trustees 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) Basis of consolidation

It is the policy of the Trust to consolidate its results with its subsidiary undertaking, Turquoise Mountain Trading Limited, on a line by line basis. Consolidated financial statements have not been prepared under section 405 of the Companies Act 2006 on the basis that the subsidiary company has been dormant since incorporation

d) Incoming resources

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.

Charitable activities

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

Grant income for specific projects is recognised in the period in which it is 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.

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.

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

- 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 TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2014

1. Accounting policies (cont'd)

f) 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.

g) Tangible fixed assets

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

h) 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

i) 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 15.

j) 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.

k) Pensions

UK employees are entitled to join a defined contribution scheme. The assets of the scheme are held separately from those of the Trust in independently administered funds. The pension charge represents contributions payable by the Trust.

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 2014	Total 2013
	£	£	£	£
Voluntary income:				
Donations received	224,934	-	224,934	841,488
	=====	=====	=====	=====

4. Net incoming resources

	2014	2013
	£	£
This is stated after charging:		
Depreciation	8,290	46,238
Auditor's remuneration - audit services	14,740	14,824
- other services	784	876
	=====	=====

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2014

5. Resources expended

	Staff costs £	Direct costs £	Sub-total 2014 £	General Manage- ment £	Financial Manage- ment £	Human Resources £	Information Technology £	Premises and Facilities £	Program Support £	Total 2014 £	Total 2013 £
Charitable activities											
Urban Regeneration - Kabul	137,362	56,596	193,958	23,906	17,155	32	39	109	18,895	254,094	285,372
Urban Regeneration – Burma	21,755	19,559	41,314	5,004	3,639	7	8	23	4,068	54,063	-
Community Development	29,646	90,251	119,897	2,224	1,155	8	10	36	6,561	129,891	109,949
Institute	6,498	43,675	50,173	102,297	53,139	65	97	336	48,550	254,657	198,284
Institute (Sub-Grants)	-	741,833	741,833	-	-	-	-	-	-	741,833	785,255
Business Development	110,566	511,075	621,641	77,835	34,656	39	70	178	45,926	780,345	712,500
	305,827	1,462,989	1,768,816	211,266	109,744	151	224	682	124,000	2,214,883	2,091,360
Costs of generating voluntary income	25,415	16,429	41,844	5,559	2,888	4	6	18	3,279	53,598	33,839
Governance costs	25,415	7,808	33,223	5,559	2,888	3	5	14	3,936	45,628	61,310
	356,657	1,487,226	1,843,883	222,384	115,520	158	235	714	131,215	2,314,109	2,186,509
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Support costs have been allocated on the following bases:

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

Included within direct costs of the Institute are amounts relating to fixed assets donated with a net book value of £26,957. Included within direct costs of Community Development are amounts relating to fixed assets donated to the Murad Khani clinic and school with a net book value of £19,037.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

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

For the Year Ended 31 December 2014

6. Staff costs	2014	2013
	£	£
Wages and salaries	504,408	533,232
Employer's national insurance	11,847	4,101
Pension costs	13,892	7,196
	-----	-----
	530,147	544,529
	=====	=====

The average number of employees during the year was as follows:

Afghan National Staff	62	61
International Staff	8	7
UK Staff	1	1
	-----	-----
	71	69
	===	===

One employee earned between £80,000 and £90,000 during the year and one employee earned between £60,000 and £70,000 during the year (2013: One employee earned between £70,000 and £80,000). The company accrued pension contributions totalling £11,000 (2013: £7,196) in respect of the employee earning between £70,000 and £80,000 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.

Two Trustees received reimbursement of travelling expenses incurred on Trust activities amounting to £1,536 (2013: £2,812). In addition the Trust provided Trustee Indemnity Insurance with a cost of £1,488 (2013: £1,213).

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.

THE TURQUOISE MOUNTAIN TRUST
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2014

9. Tangible assets

	Furniture and fixtures £	Tools and equipment £	Computers and software £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2014	41,944	284,240	98,431	28,215	452,830
Additions	224	-	2,756	-	2,980
Disposals	(14,791)	(153,505)	(57,688)	(13,746)	(239,730)
	-----	-----	-----	-----	-----
At 31 December 2014	27,377	130,735	43,499	14,469	216,080
	-----	-----	-----	-----	-----
Depreciation					
At 1 January 2014	27,880	239,769	91,646	28,210	387,505
Charge for year	372	5,802	2,116	-	8,290
Disposals	(2,034)	(124,661)	(53,298)	(13,743)	(193,736)
	-----	-----	-----	-----	-----
At 31 December 2014	26,218	120,910	40,464	14,467	202,059
	-----	-----	-----	-----	-----
Net book value					
At 31 December 2014	1,159	9,825	3,035	2	14,021
	=====	=====	=====	=====	=====
Net book value					
At 31 December 2013	14,064	44,471	6,785	5	65,325
	=====	=====	=====	=====	=====

10. Investments

	2014 £	2013 £
Investments in subsidiaries		
Cost at 1 January 2014	-	-
Additions	5,000	-
	-----	-----
Cost at 31 December 2014	5,000	-
	=====	=====

The Trust acquired 100% of the share capital of Turquoise Mountain Trading Limited on that company's incorporation on 26 September 2014. Turquoise Mountain Trading Limited is registered in the UK and did not trade during the period to 31 December 2014. At 31 December 2014 the aggregate amount of capital and reserves of Turquoise Mountain Trading Limited were £5,000.

Consolidated financial statements have not been prepared under section 405 of the Companies Act 2006 on the basis that the subsidiary company has been dormant since incorporation.

11. Stock

	2014 £	2013 £
Raw materials	19,287	18,475
Finished goods	108,478	107,416
	-----	-----
	127,765	125,891
	=====	=====

THE TURQUOISE MOUNTAIN TRUST
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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2014

12. Debtors	2014	2013
	£	£
Trade debtors	104,620	35,586
Sundry debtors	143,088	94,779
Deposits	320	375
Prepayments	32,787	24,570
Accrued income - grants	109,513	382,935
	-----	-----
	390,328	538,245
	=====	=====
13. Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	14,739	20,842
Other creditors and accruals	91,461	44,818
Deferred income - grants	51,584	23,772
	-----	-----
	157,784	89,432
	=====	=====

Details of deferred grant income is as follows:

	1	Received	Released	31
	January	during	to	December
	2014	the year	income	2014
	£	£	£	£
DFID	966	12,493	(13,459)	-
British Council	22,305	1,541	(23,846)	-
Leighton House	501	3,392	(3,893)	-
Juniper Trust	-	988	(382)	606
Lorne Thyssen	-	89,605	(38,627)	50,978
	-----	-----	-----	-----
	23,772	108,019	(80,207)	51,584
	=====	=====	=====	=====

The above grants have been deferred where conditions for their recognition have not been met as at 31 December 2014.

14. 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 2014 (2013: £319,600) and owes £16,897 (2013: £26,616) as at 31 December 2014. The Turquoise Mountain Trust also provided direct grant funding of £64,170 (2013: £16,039) and indirect grant funding of £677,202 (2013: £769,216) to the Institute and is owed £93,996 (2013: £59,724) by the Institute as at 31 December 2014. In addition the Turquoise Mountain Trust donated assets with a net book value of £37,027 to the Institute.

THE TURQUOISE MOUNTAIN TRUST
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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2014

15. Operating lease commitments

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

	2014 £	2013 £
Operating leases for land and buildings which expire:		
- within 1 year	119	10,875
- between 2 to 5 years	16,733	-
- after more than 5 years	-	14,883
	----- 16,852	----- 25,758
	=====	=====

16. Reserves

	1 January 2014 £	Resources recognised to income £	Resources expended £	Transfers £	31 December 2014 £
Restricted					
USAID	-	657,341	(657,341)	-	-
Juniper Trust	-	414	(414)	-	-
TFBSO	-	307,575	(288,447)	(19,128)	-
DFID	-	13,462	(13,462)	-	-
British Embassy	-	23,920	(23,920)	-	-
Danish Embassy	-	109,959	(109,959)	-	-
McColm & Co	-	8,195	(8,195)	-	-
Lorne Thyssen	-	41,313	(41,313)	-	-
Leighton House	-	3,895	(2,181)	(1,714)	-
	----- -	----- 1,132,827	----- (1,145,232)	----- (20,842)	----- -
Unrestricted funds	3,433,208	838,888	(1,168,877)	20,842	3,124,061
	----- 3,433,208	----- 2,004,962	----- (2,314,109)	----- -	----- 3,124,061
	=====	=====	=====	=====	=====

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 Khani and the students within the Institute.
- ii. **Juniper Trust** – the purpose of this grant is focused on kitchen gardening project and tree planting scheme in the old city of Kabul, helping the women in the old city of Kabul to improve their livelihoods and save them from buying vegetable from the bazaar. They receive weekly training on gardening and vegetable plantation from a local gardening expert.
- iii. **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.
- iv. **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.

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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 December 2014

- v. **British Embassy** have provided funding to develop the jewellery and calligraphy departments at the Institute.
- vi. **Danish Embassy** – The Royal Danish Embassy in Kabul partner with Turquoise Mountain on the project “renewing crafts, culture, and community in the old city of Kabul”. The purpose of the project is to continue in Turquoise Mountain work of regenerating the historic area of Murad Khani as a culture, educational and economic centre for Afghanistan through providing skills and jobs to young Afghan women and men in the craft sector.
- vii. **McColm & Co** – McColm & Co contributed towards support to business development marketing and communication costs in Afghanistan.
- viii. **Lorne Thyssen** – Lorne Thyssen provided the first seed money, a multi-year commitment, to begin the Burma project.
- ix. **Leighton House** provided funding to support a Learning and Events Manager to oversee the Leighton House exhibition, and financial support to bring an Afghan artisan to London for events around the opening exhibition.

17. Transfers

The charitable company made transfers in the year from restricted to unrestricted funds of the residual amounts on grant payments which the donors had agreed can be retained by the Trust to meet its charitable objectives.

18. Pensions

UK employees are entitled to join a defined contribution scheme. The assets of the scheme are held separately from those of the Trust in independently administered funds. The pension charge represents contributions payable by the Trust amounting to £13,892 (2013: £7,196). Pension contributions outstanding at 31 December 2014 were £18,239 (2013: £7,196).