



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

EMMS NAZARETH

Trustees' Annual Report for year ending 31st December 2018

i. REFERENCE & ADMINISTRATIVE INFORMATION

TRUSTEES

Morgan Jamieson, Chair
Fiona Akers, Vice-Chair
Norman Bennett, Trustee Financial Officer
Azar Ajaj (Appointed 10th March 2018)
Ashleigh Dunn
Mones Farah
Judith Hill
Jason Leitch (Appointed 8th June 2018)
Stephen Nash
David Pye
Geoffrey Spence

SENIOR EXECUTIVES

Richard Mayhew, CEO
Waseem Dibbini, CFO & dep. CEO
Fahed Hakim, Medical Director

BANK

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AUDITOR

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PRINCIPAL ISRAEL OFFICE

The Nazareth Trust
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PO Box 11, Nazareth, 16100

LEGAL ADVISOR (ISRAEL)

Kiyon Bilal
M. Firon & Co. Solicitors
Adgar 360 Tower, 2 Haslosa Street
6706054, Tel Aviv
PO Box 9445, 6109302



The Nazareth Trust is the operating name of EMMS Nazareth Trust &

- o is a company limited by guarantee, registered in Scotland (SC225661);
- o is a charity registered in Scotland (SC032510);
- o is registered as a foreign-owned company and not-for-profit institution in Israel (#560019945).



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1. OBJECTIVES & ACTIVITIES

Our purpose, set out in our Memorandum and Articles of Association, is as follows:

- The relief of sickness, poverty or suffering by the establishment, maintenance etc. of Medical Mission in accordance with Christian principles and in conformity with Christ's own example and command: "Heal the sick, and say unto them, 'The Kingdom of God is come nigh unto you'" in Israel and/or elsewhere.
- The advancement of the Christian religion throughout the world;
- The advancement of education and in particular the education of the general public throughout the World as to the teachings, life and times of Jesus of Nazareth;
- The advancement of education by the teaching of all aspects of medicine and medical sciences and the promotion of medical science and medical research.

To fulfil these objectives, the Nazareth Trust (TNT) manages the following:

- Nazareth Hospital EMMS;
- Nazareth Academic School of Nursing;
- SERVE Nazareth;
- Nazareth Village.

The above broadly encompass four key categories which aim to satisfy TNT's purposes of healthcare, healthcare education, biblical education and Christian witness.



HEALTHCARE – Nazareth Hospital EMMS

Nazareth Hospital EMMS is the main trauma centre offering acute care for the people of Nazareth and its surrounding area. Each year, 170,000 patients visit the hospital, including nearly 60,000 people to its 24-hour Accident & Emergency department – the only one providing around-the-clock care in the city

The hospital operates a wide range of services including general surgery, maternity, paediatrics, psychiatry and intensive care. There is also a busy renal dialysis service, a nationally accredited neonatal unit and a modern cardiac catheterisation suite.

The hospital, which is affiliated with the Bar Ilan Medical School, maintains education, training and research programmes and serves a catchment area exceeding 250,000. It aims to provide the highest standards of excellence in healthcare – aspiring to be a hospital of choice not only for patients, but also for doctors, nurses, and other healthcare professionals.





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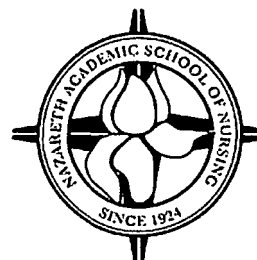
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HEALTHCARE EDUCATION – Nazareth School of Nursing

Established in 1924 to address a national shortage of nurses, the Nazareth Academic School of Nursing primarily focuses on offering opportunities for vocational work to the local, underserved and predominantly Arab population.

Each academic year, 400 students are taught at the School. The programmes available are diverse and range from Nursing diplomas to BA Nursing degrees taught in partnership with Emek Israel College.

Since its establishment the Nazareth Academic School of Nursing continues as the only Christian nursing school in the state of Israel.



CHRISTIAN WITNESS – SERVE Nazareth

SERVE Nazareth provides volunteer ministry opportunities in the Galilee – in recent years growing to be the largest programme of its kind in Northern Israel.

Out of the many opportunities available, volunteers can serve in the hospital chaplaincy, work in the hospital wards, guide at Nazareth Village, or provide other vital support within the Nazareth Trust or local Christian ministries.



BIBLICAL EDUCATION – Nazareth Village

Nazareth Village gives the opportunity to experience Nazareth as it was in the first century during the time of Jesus. Tour guides share Biblical stories, bringing them to life using a working farm, traditional buildings – including a synagogue – and authentic 1st century meals.

Welcoming 117,000 visitors in 2018 from over 105 countries, Nazareth Village is well established as a major Christian ministry in Northern Israel.



2. ACHIEVEMENTS & PERFORMANCE

2018 brought many achievements across all TNT's services. Our key successes are as follows:

2.1 Healthcare – Nazareth Hospital EMMS

- A Clinical Research Unit was established at the hospital and a Head of Unit appointed to prioritise the hospital's development as a multi-professional clinical research centre.
- The Neonatal Intensive Care Unit was recognised by the Ministry of Health (MOH) as the best of its kind in the state of Israel, while the hospital itself ranked first nationally in the MOH-led patient satisfaction survey.

Admissions by Dept.	2016	2017	2018
Orthopedics	1516	1844	1709
ICU	826	818	1042



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Pediatrics	1057	517	547
General Surgery	1928	1923	2897
Obstetrics and Gynecology	685	661	655
NICU	157	120	112
Internal Medicine	3659	3629	4041
Psychiatric	154	152	161
Catheterization Interventions	640	666	916

2.2 Healthcare Education – Nazareth Academic School of Nursing

- As in 2017, all students graduating in 2018 passed the Government Nursing License exam, again highlighting the care and commitment of teaching staff in preparing each student.
- The MOH recognised the School as the second-best Nursing School in the state of Israel. Given its consistently high standards, a Certificate of Excellence was awarded to the School early in 2018.
- A license to build an additional floor on the existing School was approved which will greatly relieve the pressure on facilities currently at capacity and anticipating a larger student body. The MOH affirmed its intent to assist substantially in the funding of this project.
- An inspection conducted in October 2018 by the MOH on the academic programmes, teaching standards and premises returned a 100% assessment result.

2.3 Biblical Education – Nazareth Village

- Visitor numbers continue to rise exponentially year-on-year. In 2018, 117,491 people visited Nazareth Village – an increase of 25% over 2017's figures.

Visitor Numbers		
2016	2017	2018
68,686	95,525	117,491

- The \$120 campaign launched to support the building of the new 'Discovery Center' raised \$246,000 throughout 2018. As such, planning continues, and it is hoped that building permits will be finalised in 2019.

2.4 Christian Witness – SERVE Nazareth

- SERVE Nazareth is the largest international Christian volunteer programme in Israel outside Jerusalem.
- International partnerships flourished throughout 2018 – particularly with the Norwegian Church Ministry to Israel who having sent 7 volunteers in 2018 have now booked to send 20 in 2019.
- 210 people volunteered with SERVE Nazareth in 2018, equivalent to 40 F/T staff – the highest figures seen so far. The growing popularity of the SERVE programme meant that at several points throughout the year, the on-campus accommodation was at capacity.

	2016	2017	2018
Volunteers	129	191	210
F/T Staff Equivalent	3.8	4.9	7.5



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3. PLANS FOR FUTURE PERIODS

In accordance with the strategic plan 2017-2019 'Foundation for the Future', TNT has been focusing on improving the quality of its services and operations, and establishing a clearer Christian identity. The focus has been to

- Provide quality services and activities and develop a culture of excellence;
- Develop and demonstrate a Christian Identity that is clearly recognisable to all who visit or work for TNT;
- Build a foundation which is financially secure, diversify income sources and provide capital assets that are a credit to TNT;
- Become an employer of choice;
- Be a key supporter of the wider Christian Community in the region and an agent of peace;
- Extend TNT's reach and impact.

All 4 areas of operation have witnessed record numbers of visitors in 2018, a continuing growth in activity reflecting the increasing quality of our services. It is increasingly apparent that our current buildings are at capacity, and that a major capital development programme is now required.

An outline Capital Development masterplan has been approved by the Board. Over the next decade, TNT plans to undertake major capital development works across all its services, including, inter alia, a new visitor centre for Nazareth Village, new Maternity delivery suites and an expansion of the Emergency Room facilities, an additional floor on the SON building, and a major renovation of our volunteer accommodation. A strategic plan for 2019-2021 geared towards this major development programme is currently being compiled by the Board of Trustees and senior executives of TNT.

TNT's short-term plans across its different services are as follows.

3.1 Nazareth Hospital EMMS

In keeping with TNT's purpose to continually improve the healthcare provision for the people of Nazareth, Nazareth Hospital EMMS commits to:

- An expansion of the existing Psychiatry service – the only Arab-speaking department of its kind in the state of Israel.
- The launch of an In Vitro Fertilisation (IVF) clinic.
- The expansion of the existing night centre service which will alleviate pressure on the Emergency Room and offer a wider range of primary care facilities in the Nazareth area.
- An expansion of the Urology department as renal dialysis continues as one of the busiest services in the hospital – treating almost 20,000 patients each year.
- Continuing progress towards JCI Accreditation in line with Israel's healthcare.

3.2 Nazareth Academic School of Nursing

To further TNT's educational purpose, the Nazareth Academic School of Nursing (NASN) commits to:



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- Continue in partnership with Emek Israel College so that the students of Nazareth are given further opportunities to gain high-level vocational qualifications.
- Increase the number of students enrolling on the BA programme.
- Acquire funding from the MOH for an additional floor so that the facility can accommodate the ever-growing student numbers.

3.3 SERVE Nazareth

To support TNT's mission focus, the SERVE Nazareth programme commits to:

- Meet the growing demand for the programme by a refurbishment of existing on-campus accommodation.
- Continue to establish partnerships within the international Christian community and identify new opportunities for Ministry in Northern Israel.

3.4 Nazareth Village

To affirm TNT's status as a major Christian ministry in Northern Israel, the Nazareth Village commits to:

- Complete planning for the new Discovery Center and acquire necessary building permits.
- Increase fundraising activity to enable building to commence in 2020.

4. GOVERNANCE, STRUCTURE & MANAGEMENT

4.1 Board of Trustees

The Board of Trustees meets four times annually – twice in Nazareth, once in Edinburgh and once in London. As an internationally-based Board, additional video-conferences are scheduled as needed.

The Board, as detailed in the Memorandum and Articles of Association and supplemented by the Board's own Standing Orders, appoints all new Trustees. New Trustees go through a period of induction which includes an orientation visit to Nazareth, training on Trustee responsibilities and TNT's governance process.

Trustee responsibilities focus on stewardship, governance, public accountability and strategic development. To support the Board in specific matters, there are three Committees which also meet regularly. These are:

- Clinical Services Committee;
- Finance & Audit Committee;
- Remuneration Committee.

The Clinical Services Committee was established in 2018 to oversee the clinical services provided by the Trust, principally in respect of matters of quality and safety, and to advise and make recommendations to the Board of Trustees. Through its capacity to co-opt appropriate individuals as members or attendees, the committee also provides a forum whereby the hospital can benefit from expert opinion and advice in regard to clinical service provision. The key objectives of the committee are:

- To support the development or adoption of an appropriate range of quality standards for patient care.
- To ensure the consistent implementation of an appropriate range of patient safety measures and clinical risk management processes.



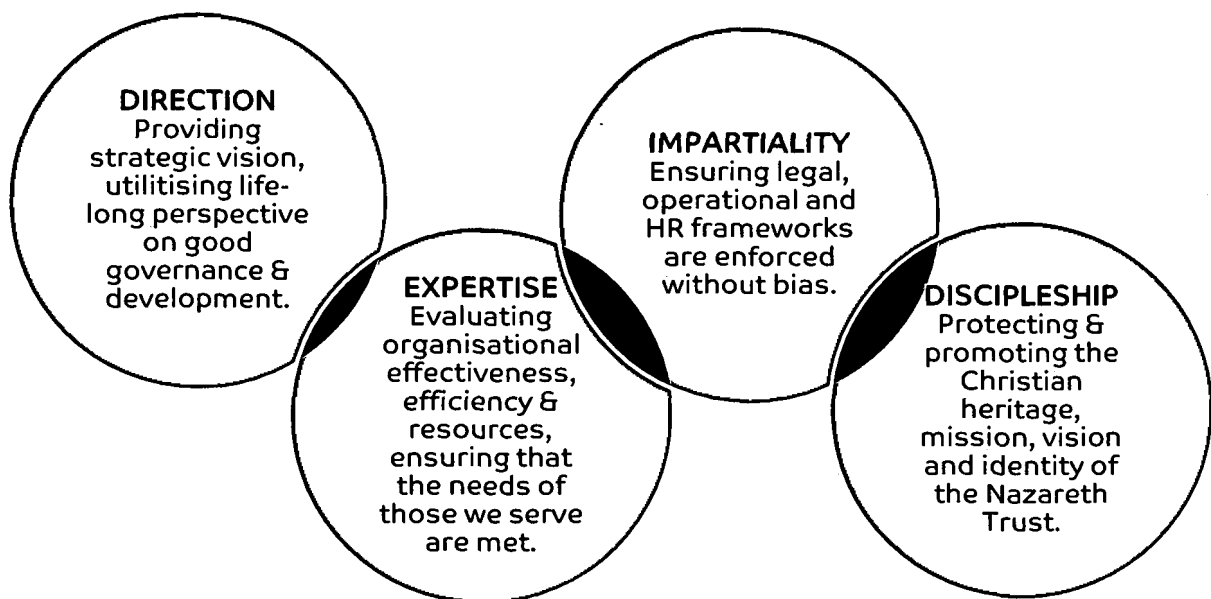
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- To receive and review regular reports regarding compliance with agreed quality and safety standards.
- To review the resourcing of clinical services with particular regard to matters relating to the quality and safety of patient care.
- To bring all relevant matters regarding service quality or patient safety to the attention of the Board of Trustees and, where appropriate, to advise the Board regarding any necessary response.
- To provide support and advice in matters relating to the development and effectiveness of clinical services.
- To foster initiatives to encourage appropriate service user engagement in clinical service provision.

Both the Clinical Services and Finance & Audit Committees meet at least three times annually. The Remuneration Committee meets at least once annually.

Though day-to-day management is delegated to the Chief Executive Officer, Trustees are required to direct TNT by the following principles:



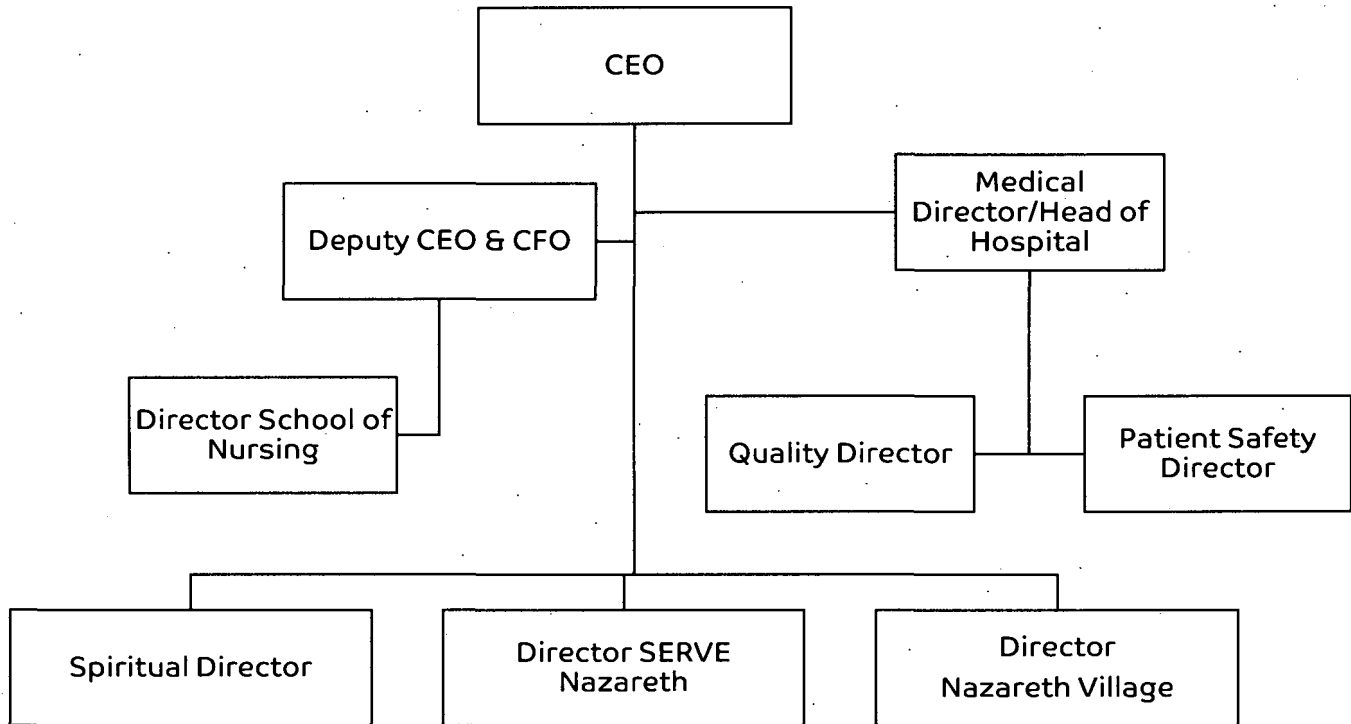


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4.2 Senior Management

The senior management team of TNT is structured as shown:



The names of the senior executives are:

- Mr Richard Mayhew, Chief Executive Officer;
- Mr Waseem Dibbini, Chief Financial Officer & Deputy CEO;
- Dr Fahed Hakim, Medical Director
- Dr Amal Kahzin, School of Nursing Director;
- Mr Frank Kantor, Spiritual Director;
- Mrs Christine Farah, SERVE Director;
- Mrs Maha Sayegh, Nazareth Village Director;
- Mrs Randa Elias, Quality Director;
- Dr Jalil Helou, Patient Safety Director.

4.3 Risk Management

4.3.1 Operational Risk

Formal risk assessments are carried out regularly and conducted with the assistance of internal auditors. These assessments cover all TNT's operations and involve the identification of the types of operational risk being faced and the potential impact on TNT should the risk actually occur.

As a health-care provider, all significant medical incidents and sentinel events are reported to the newly-established Clinical Services Committee and then to the full Board on a timely basis.

Beginning in 2016, as directed by the Finance and Audit Committee, a focus was given to conduct audits on issues with higher risk factors. In 2017, the Finance &



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Audit committee and Board of Trustees agreed upon a three-year internal audit plan inclusive of areas not reviewed previously.

The Quality & Safety directorate is separated into the distinct categories of 'Quality' and 'Patient Safety': a split intended to facilitate a focused approach to both issues, and to implement higher standards of clinical care. These directorates are responsible for preparing & reviewing clinical protocols, holding inspections to assure protocol compliance, staff education, data collection & analysis, setting KPIs, reporting to management and investigating cases when applicable.

TNT acknowledges the duty of care to safeguard its staff, volunteers and users and is committed to ensuring safeguarding practice reflects statutory responsibilities, government guidance and complies with best practice. Policies are in place in both the UK and Israel – the latter set out by and governed by Israeli employment law. The former is reviewed on a three-year basis in line with TNT's policy review practice.

The Hospital must comply with Information Security Management Systems standards. As national legislation requires, significant efforts and resources are invested in comprised systems and back-ups in order to enable a full recovery of data in the unlikely event of harm. ISO accreditation is in place.

In keeping with GDPR legislation introduced in 2018, TNT updated its governance measures organisation-wide regarding data usage and storage and will review these as required.

The Hospital also works in co-operation with the Israeli government to be prepared for local or national emergencies such as war, terror attacks or natural disasters.

TNT also employs a Safety Officer who manages the facilities' safety and works according to an annual plan approved and supervised by management.

4.3.2 Financial Risk

TNT reviews its financial position on an on-going basis. Monthly management accounts are produced internally and submitted by the Chief Financial Officer to both the Chief Executive Office and Trustee Finance Officer. The Finance and Audit Committee meets a minimum of three times annually to review performance against planned budget, with the aim of optimising both income and expenditure whilst ensuring continuing quality of services. An annual plan is produced on planned capital developments, and the funds identified to finance these.

Being primarily a health-care provider, TNT faces ongoing financial pressures which necessitate regular monitoring. These are:

- Most of TNT's income is negotiated through contracts with Israel's government-mandated healthcare insurers – 'Sick Funds'. The most prominent of these is the Clalit Sick Fund, which insures around 70% of Nazareth's population. Clalit also owns a hospital just outside of Nazareth, which puts them in a position of strength when negotiating



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contract terms. As such, Nazareth Hospital must offer highly discounted rates to maintain operations.

- To achieve operationally balanced financial results, the hospital, inter alia, pays reduced salaries to its staff compared to other public healthcare providers in Israel. This, alongside the competitive environment the hospital operates in, generates a continuous challenge in the recruitment and retention of clinical staff.
- Legal repercussions for medical malpractice are costly, and significantly detract from TNT's budget. As problematic cases were settled in 2018 and the insurance subsequently required renewal, the premium was increased to \$775,000 with a set excess of \$500,000 incurred per case. The hospital contracts an actuary assessor to ensure the hospital is sufficiently served by its insurance coverage. To lessen this liability in the long-term, the Quality and Patient Safety departments, inter alia, direct staff education & development, prepare & enforce clinical protocols and conduct study cases.
- Ensuring a daily cash flow continues as a major challenge and requires regular monitoring and management. TNT prepares annual cash flow projections, based on an annual approved budget, and prepares advance plans to deal with any anticipated income shortages. Typically, provision is also made to reduce TNT's long-term liabilities through the repayment of long-term debts.

A fall in the number of births in the maternity department, along with a drop in anticipated number of babies admitted to the NICU, caused a particular financial challenge in 2018. In addition, the anticipated financial support for the Nazareth Hospitals from the Ministry of Health was not forthcoming. Accordingly, management conducted discussions with the Government of Israel regarding financial support for the hospital. See Note 2 and 10 in the Annual Accounts for further details. Subsequently, the hospital received a grant of £2.9m from Ministry of Health (MOH) to support the hospital's operations and another equal amount is anticipated to be received during 2019 provided that the hospital meets some operational improvement milestones, which include inter alia, increase in the hospital's net income and improvement in financial ratios.

TNT has a set of financial procedures according to which it operates, which have been approved by the Board of Trustees and safeguard the integrity and transparency of its activities. To ensure continuing good governance practice, these procedures are being updated in 2019.

4.4 Annual Budget & Monitoring Accounts

An annual budget is prepared each year, taking into consideration:

- TNT's future plans;
- The previous year's budgetary performance;
- Changes in TNT's sector of operation which have potential financial impact.



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The budget is prepared by the Chief Financial Officer and presented to the Finance & Audit Committee for consideration. After approval or amendment, the budget is then brought to the Board and ratified.

TNT's aim is to at least maintain an operationally balanced budget. Cost-saving strategies during the year included identifying additional income streams, delaying recruitment if possible and enhancing additional efficiencies in operational expenditure.

4.5 Remuneration 2018

Total staff no.: 633 (average throughout year)

Key Management Personnel cost (not incl. Board): £886,564

Total Trustee cost: £21463.90 & £100,880

Trustees are engaged on a voluntary-basis only. The costs above reflect reimbursement of reasonable expenses incurred while conducting business on behalf of the Nazareth Trust and are primarily costs arising from travel and accommodation required for the meetings in Nazareth twice each year, and the same for meetings held in Edinburgh and London respectively.

STAFF EARNING			
Between £60,000 & £70,000:	53	Between £140,000 & £150,000:	0
Between £70,000 & £80,000:	28	Between £150,000 & £160,000:	3
Between £80,000 & £90,000:	18	Between £160,000 & £170,000:	4
Between £90,000 & £100,000:	8	Between £170,000 & £180,000:	3
Between £100,000 & £110,000:	7	Between £180,000 & £190,000:	1
Between £110,000 & £120,000:	6	Between £190,000 & £200,000:	3
Between £120,000 & £130,000:	4	Between £200,000 & £210,000:	1
Between £130,000 & £140,000:	6	Between £210,000 & £220,000:	2
		Between £220,000 & £230,000:	0

The Remuneration Committee meets at least annually to review and assess levels of pay. It is important to note that with regard to staff salaries for our employees who work in Israel, the Israeli government dictates annual wage agreements known as collective agreements. Nazareth Hospital EMMS, whilst complying with legislation, pays reduced salaries compared to other public health care providers in Israel in order to deliver a balanced budget.

It is also important to note, as a small general hospital, our on-call allowances are divided among a small population of key consultants and currently the on-call payments make up nearly 35% of the salaries alone.

5. FINANCIAL REVIEW

5.1 Principal Funding Sources

Typically, the majority of TNT's income derives from the activities of Nazareth Hospital EMMS which operates within the framework of the Israeli healthcare system. In this, income is primarily generated through contracts with governmental health insurance schemes (Sick Funds), in which all Israeli citizens are enrolled.

On 31st December 2018, the Israeli Ministry of Health paid a grant of £2.9m (See Note 2 and Note 10 in the Annual Accounts).



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5.2 Reserves Policy

The cash reserves held by TNT relate to restricted and designated funds according to the law and regulations under which the charity must operate. These are principally for capital development projects for which targets are typically high: e.g. Nazareth Village Discovery Center. TNT's policy is to hold undesignated cash reserves in a separate bank account in an amount that equals at least the amount of the restricted funds.

The laws under which TNT operate stipulate that reserves may be held in bank deposits or governmental bonds. Given the low returns on governmental bonds when considering related expenses, TNT invests its cash reserves in bank deposits only. Terms and length of deposits are examined periodically and resolved according to cash requirements, current investments and projected investments for the near future.

5.3 Reserves Status

At the close of 2018, TNT reserves balance totalled £2552k, and the restricted fund balance totalled £2288k. These latter funds relate primarily to areas requiring significant investment, such the Nursing School's Bursary scheme, and the new Nazareth Village Discovery Center. They are kept in separate bank accounts and used for the purpose for which they were received.

5.4 Auditor

KPMG are the appointed auditors after a tender process conducted in 2013. The appointment is for 3 years, with up to two, one-year extensions.

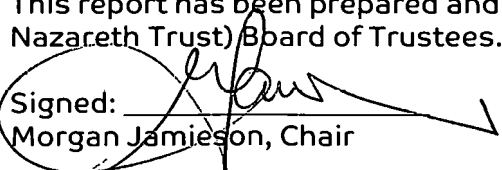
5.5 Trustees' Responsibility in relation to Financial Statements

Company law requires Trustees to prepare financial statements that give a true and fair view of the state of affairs of EMMS Nazareth (The Nazareth Trust) at the end of the financial year and of its surplus or deficit for that financial year. In doing so, Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make good judgments and estimates that are reasonable and prudent;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that EMMS Nazareth (The Nazareth Trust) will continue to operate.

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

This report has been prepared and issued by order of EMMS Nazareth (The Nazareth Trust) Board of Trustees.

Signed: 
Morgan Jamieson, Chair

Approved as of: 15.6.19

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INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF EMMS NAZARETH CHARITABLE COMPANY

OPINION

We have audited the financial statements of EMMS Nazareth Charitable Company (Limited) ("the charitable company") for the years ended 31 December 2018 and 2017 which comprise the balance sheets, statements of financial activities, statements of cash flows and related notes, including the accounting policies in note 2.

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 2018 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 UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements 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).

BASIS FOR OPINION

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.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

OTHER INFORMATION

The trustees are responsible for the other information, which comprises the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;

- in our opinion the information given in the Trustees' Annual Report, which constitutes the directors' report for the financial year, is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 2C of the financial statements regarding the accumulated deficit and deficit in working capital and management's plans with respect thereto in order to ensure continuing operations in the foreseeable future.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended), we are required to report to you if in our opinion:

- the charitable company has not kept adequate and proper 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.

We have nothing to report in these respects.

TRUSTEES' RESPONSIBILITIES

As explained more fully in their statement, 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK & TO WHOM WE OWE OUR RESPONSIBILITIES

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

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. Our audit work has been undertaken so that we might state to the charitable company's 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 full 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.

Miri Yoskowitz (Statutory Auditor)

for and on behalf of **KPMG Somekh Chaikin**

KPMG LLP is eligible to act as an auditor in terms of Section 1212 of the Companies' Act 2006

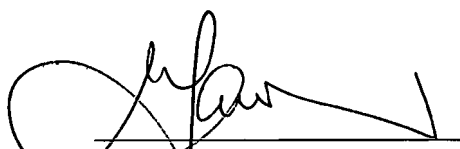
2019

EMMS Nazareth
BALANCE SHEETS AS AT 31 DECEMBER 2018

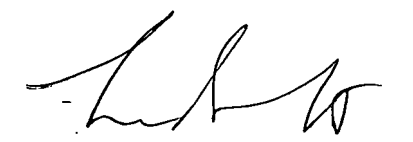
	NOTE	31.12.18 £ 000	31.12.17 £ 000
Fixed assets	3		
Heritage land		34,213	12,281
Tangible assets		19,826	16,802
		<u>54,039</u>	<u>29,083</u>
Current assets			
Stock		622	624
Receivables in respect of medical services	4	4,788	6,625
Short-term bank deposits		2,552	1,600
Cash at bank and in hand	5	2,942	1,645
		<u>10,904</u>	<u>10,494</u>
Current Liabilities (amounts falling due within 1 year)			
Short-term bank credit		2,161	362
Current maturities of long-term bank loans	6	482	494
Suppliers and service providers		4,014	4,112
Other current liabilities	7	5,491	6,284
		<u>12,148</u>	<u>11,252</u>
Net current liabilities		<u>(1,244)</u>	<u>(758)</u>
Total assets less current liabilities		<u>52,795</u>	<u>28,325</u>
Liabilities (amounts falling due after more than 1 year)			
Long-term bank loans	6	315	815
Provision for claims due to medical malpractice	8	12,030	12,995
Defined benefit severance and pension liabilities	9	2,452	2,764
		<u>14,797</u>	<u>16,574</u>
Net assets		<u>37,998</u>	<u>11,751</u>

CONTINUED OVERLEAF


	NOTE	31.12.18 £ 000	31.12.17 £ 000
The funds of the Charity:			
Restricted funds		<u>2,288</u>	<u>1,265</u>
Unrestricted income funds:			
Unrestricted income funds - accumulated deficit		(16,218)	(16,196)
Revaluation reserve		41,356	6,864
Designated by management funds		<u>13,025</u>	<u>22,582</u>
Unrestricted income funds (excl. pension reserve)		38,163	13,250
Pension and severance reserve		<u>(2,453)</u>	<u>(2,764)</u>
Total unrestricted funds (incl. pension reserve)		<u>35,710</u>	<u>10,486</u>
Total charity funds		<u><u>37,998</u></u>	<u><u>11,751</u></u>



Dr. Morgan Jamieson
Chair of the Board



Mr. Norman Bennett
Chair of Finance and Audit
Committee



Mr. Richard Mayhew
Chief Executive
Officer

Approval date: 15.6.19

EMMS Nazareth
STATEMENTS OF FINANCIAL ACTIVITIES AS AT 31 DECEMBER 2018

	NOTE	UNRESTR. FUNDS £ 000	RESTR. FUNDS £ 000	TOTAL FUNDS YEAR ENDED 31.12.18 £ 000	TOTAL FUNDS YEAR ENDED 31.12.17 £ 000
INCOME & ENDOWMENTS					
Donations		224	1,718	1,942	691
Charitable activities	11	35,954	-	35,954	36,850
Other trading activities		2,065	-	2,065	1,617
Investments		(676)	-	(676)	267
Government allocations	14	4,776	517	5,293	2,422
TOTAL		42,343	2,235	44,578	41,847
EXPENDITURE ON					
Raising funds		-	(14)	(14)	(12)
Charitable activities	13	(41,597)	-	(41,597)	(38,250)
Other		(2,274)	-	(2,274)	(1,998)
Investment MGMT Costs	12	76	(28)	48	(315)
TOTAL		(43,795)	(42)	(43,837)	(40,575)
Net income (loss)		(1,452)	2,193	741	1,272
Transfers between funds		1,170	(1,170)	-	-
OTHER RECOGNISED GAINS					
Actuarial (losses) gains on defined benefit pension scheme		312	-	312	(286)
Revaluation of fixed assets		25,194	-	25,194	-
Net movement in funds		25,224	1,023	26,247	986
Reconciliation of funds					
Total funds brought forward		10,486	1,265	11,751	10,765
TOTAL FUNDS CARRIED FORWARD		35,710	2,288	37,998	11,751

EMMS Nazareth
STATEMENTS OF CASH FLOWS

	YEAR ENDED 31.12.18 £ 000	YEAR ENDED 31.12.17 £ 000
Net cash provided by operating activities (Appendix A)	<u>2,975</u>	<u>4,888</u>
Cash flows from investing activities		
Purchase of plant and equipment	(2,015)	(1,513)
Investment in short-term bank deposits	<u>(988)</u>	<u>(167)</u>
Net cash used in investing activities	<u>(3,003)</u>	<u>(1,680)</u>
Cash flows from financing activities		
Receipt (repayment) of short-term bank credit	1,806	(1,384)
Repayment of finance lease	-	(93)
Repayment of long-term bank loan	<u>(481)</u>	<u>(718)</u>
Net cash provided by (used in) financing activities	<u>1,325</u>	<u>(2,195)</u>
Increase in cash at bank and in hand	1,297	1,013
Cash at bank and in hand at beginning of year	<u>1,645</u>	<u>632</u>
Cash at bank and in hand at end of year	<u>2,942</u>	<u>1,645</u>

APPENDIX A

Reconciliation of changes in resources to net inflow from op. activities

Net incoming resources	404	1,161
Depreciation	1,577	1,530
Financing income (exp.), net	636	(5)
Decrease in accounts receivable for medical services	1,681	2,448
Increase in stock	(13)	(73)
Increase (decrease) in suppliers and service providers	(2)	1,235
Decrease in other current liabilities	(646)	(839)
Decrease in provision for claims due to med. malpractice	(662)	(569)
Net cash inflow from op. activities	<u>2,975</u>	<u>4,888</u>

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

NOTE 1 - GENERAL

A. GENERAL

- 1) EMMS Nazareth (hereinafter "The Company" or "The Hospital") was incorporated in Scotland in November 2001 as a private company limited by guarantee and not having a share capital. The Company is registered in Scotland as a charity.

The Company was also registered in Israel on 23 December 2001 as a foreign company. The activities of the Company in Israel started on 1 September 2002.

- 2) The main objectives and activities for which the Company is established are wholly charitable, mainly health and education. The Company is engaged primarily in providing public medical services in Nazareth, Israel. On April 2015, the Company absorbed the activities of the Nazareth Village.

- 3) The Company is recognized under the Israeli Income Tax Ordinance (New Version) as a "public organization" and as a "not-for-profit organization" under the Value Added Tax Law-1975. Contributions to the Hospital are eligible for a tax credit to the donor under Israeli tax law.

B. BUSINESS RISKS AND ENVIRONMENTAL BUSINESS AREA

- 1) Over 70% of the revenues of The Hospital are derived from patient services, the source of which is sick funds. All of the sick funds in Israel have deficits. The manner of accounting between the Hospitals and the sick funds is determined by the Ministry of Health. See note 4C regarding the cooperation agreements with the sick funds.
- 2) The maximum rates for most of the health services - fee for day of Hospitalization, fees for differential activities, emergency charges and various services are determined by the Ministry of Health.
- 3) In December 2016, the "Law for changes in national priorities (Legislative amendments to achieve budget goals for the years 2017-2018) (the "Arrangements Law 2017") was approved. The Arrangements Law stipulates, inter alia, the manner of accounting between public hospitals and sick funds in respect of purchases of health services in public hospitals for the years 2017-2019. According to the new Arrangements Law, the consumption ceiling (cap) for the years 2017-2019 will be based on the average of actual gross turnover of half 2013 and 2014-2015 of the Hospital from public health services, indexed to 2017 hospitalization health tariff and to demography in a rate of ~1.4% per year.

C. DEFINITIONS

The Hospital	Nazareth Hospital EMMS.
Differential activity	Medical activity for which a fixed fee is set by the Ministry of Health and published from time to time.
Services	Medical services which include hospitalization. Rates for days of hospitalization are determined by the Ministry of Health and adjusted from time to time.

Ambulatory care	Ambulatory health care facilities of the Hospital. (The patient receives treatment and is released from the Hospital). The fee for the ambulatory health care is determined by the Ministry of Health and adjusted from time to time.
Capping	The ceiling for revenues from the sale of services to the sick funds.
Sick funds	Non-profit organizations which provide health care services as defined in the National Health Insurance Law (January 1995).
Global agreement	The Arrangements Law permits the Hospital to agree on discounts for revenues from medical services with the sick funds within the capping framework.
CPI	The Consumer Price Index as published by the Central Bureau of Statistics.

NOTE 2 - SIGNIFICANT REPORTING AND ACCOUNTING POLICIES

A. GENERAL

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)) and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) issued on 16 July 2014 rather than the preceding Charities SORP (SORP 2005) which was effective from 1 April 2005 and has since been withdrawn.

B. BASIS OF PRESENTATION

These financial statements have been prepared on the basis of historical cost convention except for the revaluation of lands and buildings as detailed in Note 3.

C. PREPARATION OF ACCOUNTS ON A GOING CONCERN BASIS

At 31 December 2018, the Company has an accumulated deficit (including pension and severance reserve) of £18,671 thousand (31 December 2017- £18,960 thousand) and a deficit in working capital of £ 1,244 thousand (31 December 2017 - £758 thousand).

Management has conducted and continues to conduct discussions with the Government of Israel regarding Government support of the Company's activities. During 2018, the Ministry of Health published milestones for current support to public hospitals in financial stress. See Note 10 for further details. The Company received a grant of £ 2.9M from Ministry of Health (MOH) to support the Company's operations and another equal amount is anticipated to be received during 2019 provided that the company meets some operational improvement milestones as detailed in the publication. The Company submitted its work plan for 2019 to the MOH and Ministry of Finance detailing the operational milestones which include inter alia, increase in the Company's net income and improvement in financial ratios.

Furthermore, the Company is exploring additional increase of its net income. The Trustees and management are of the view that the actions implemented by management will secure the ability of the Company to continue to operate as a going concern.

D. BASIS OF REPORTING

1) Balance Sheet:

- a. Non-monetary items are stated in nominal historical values.
- b. Monetary items are stated in the balance sheet at their nominal historical values as at balance sheet date.

2) Statement of Financial Activities:

Income and expenses are recorded on the accrual basis.

3) Fund accounting:

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose the designated fund includes a fund for tangible assets and heritable land totaling £ 54,039 thousand - which represents the value of general funds invested in fixed assets.

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific projects being undertaken by the Trust.

E. FUNCTIONAL AND PRESENTATION CURRENCY

Functional currency:

The entity's functional currency is the currency that best reflects the economic environment in which the entity operates and conducts its transactions. It has been determined that the functional currency in which the Company operates and conducts its transactions is the Shekel (NIS).

Presentation currency:

The Company can present its financial statements in any currency (or currencies). These financial statements are presented in £ and the translation of the Company's results and financial position from the functional currency (NIS) to the presentation currency (£) has been carried out as follows:

- 1) Assets and liabilities in the balance sheet presented (including comparative data) are translated at the closing rate as of each balance sheet date presented.
- 2) Income and expenses for the period presented in the statement of financial activities (including comparative data) are translated at the exchange rate prevailing on the dates of the actual transactions.
- 3) Net assets are translated based on the following basis:
 - a. Opening balance at the exchanges rate as of that date.
 - b. Other relevant transactions during the period - translated at the prevailing rate as of the date of the transaction.

- 4) Translation differences are recorded as a separate item in net assets under the heading "Foreign currency translation reserve".
The translation should not be construed as a representation that the NIS amounts upon which the translation is based actually represent, or could be converted into, GBP.

See Note 2T below regarding exchange rates.

F. CASH AT BANK AND IN HAND

Cash at bank and in hand include short-term bank deposits with an original maturity not exceeding three months.

G. PROVISION FOR DOUBTFUL DEBTS

The financial statements include specific provisions for doubtful debts which, in management's opinion, adequately reflect the loss inherent in those debts, the collection of which is doubtful.

H. STOCK

Stock is included at cost. The cost is determined using the moving average method.

Stock is recognized as an expense when released from Hospital warehouses and transferred to the various departments.

I. FIXED ASSETS

- 1) Fixed assets, except for land and buildings are stated at cost less accumulated depreciation.
Land and buildings are stated at valuation less accumulated depreciation. Additions are stated at cost. Cost includes expenditures that can be directly attributed to the acquisition of the assets.
- 2) Improvements and enhancements are added to the cost of the assets whereas maintenance and repairs are charged to expense as incurred.
- 3) Fixed assets received for no consideration are presented at their fair value as of the date of receipt.
- 4) The Hospital depreciates separately each component of the fixed assets with a cost that is significant in relation to the total cost of the item, including the costs of significant periodic examinations.

Depreciation is calculated by the straight-line method on the basis of the estimated useful lives of the assets.

The annual depreciation rates are as follows:

	%
Buildings	4
Medical equipment	10-15
Furniture and equipment	7-15
Office equipment	20-33

J. IMPAIRMENT IN VALUE OF ASSETS

According to accounting principles, entities must follow certain procedures in order to ensure that their assets, as reported in their financial statements, are not stated in an amount exceeding their fair value, which is the higher of the net selling price and

the present value of the estimated future cash flows expected to be derived from the use and disposal of the asset. The Standard also lays down the rules of presentation and disclosure for assets whose value has been impaired. No impairment was required in these financial statements.

K. DEBTORS

Trade and other debtors are recognized at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

L. CREDITORS AND PROVISIONS

Creditors and provisions are recognized where the Company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognized at their settlement amount after allowing for any trade discounts due.

M. PENSIONS

For information regarding Accrued Severance and Pension Pay, see note 9 to these financial statements.

N. PROVISION FOR CLAIMS DUE TO MEDICAL MALPRACTICE

The liability for medical malpractice is calculated on the basis of an actuarial estimate of amounts to be paid in connection with medical malpractice claims relating to medical services rendered by the Hospital. The actuarial obligation is based on claims submitted (including those being handled by lawyers) and on adverse reports received. Additionally, the obligation includes amounts with respect to claims not yet received by the Hospital, possible claims as yet unknown and expenses to settle claims, based on past experience.

O. INCOME

- 1) Income including income from patient services, is recognized when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.
- 2) Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognized when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

P. DONATED SERVICES AND FACILITIES

Donated professional services and donated facilities are recognized as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), general volunteer time is not recognized, however the F/T staff equivalent of these is recorded on pg26. Trustees are engaged on a voluntary basis only, and any costs arising are due to the requirement for travel and accommodation incurred when coordinating meetings for an internationally-based Board.

On receipt, donated professional services and donated facilities are recognized on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic

benefit on the open market; a corresponding amount is then recognized in expenditure in the period of receipt.

Q. INTEREST RECEIVABLE

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

R. EXPENDITURE AND IRRECOVERABLE VAT

Expenditure is recognized once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

S. ALLOCATION OF SUPPORT COSTS

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Trusts artistic programs and activities.

T. EXCHANGE RATES AND LINKAGE BASIS

Assets and liabilities denominated in, or linked to, foreign currency are stated on the basis of the representative exchange rates published by the Bank of Israel as at balance sheet date.

Balances linked to the CPI are stated on the basis of the contractual linkage terms of each balance.

Below are details of the exchange rates and the CPI:

	Exchange rate			Index for month of December (in points)
	\$	€	£	
	NIS	NIS	NIS	
As of 31 December				
2018	3.748	4.291	4.793	102.40
2017	3.467	4.153	4.682	101.28
2016	3.845	4.044	4.725	100.88
Rate of change				
2018	8.10	3.32	2.37	1.11
2017	(9.83)	2.69	(0.92)	0.4
2016	(1.46)	(4.78)	(18.31)	(0.2)

U. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding transactions or matters the final effect of which on the financial statements cannot be accurately determined at the time of their preparation. Even though the estimates and assumptions are based on management's best judgment, the final effect of such transactions or matters may be different from the estimates and assumptions made in their respect.

NOTE 3 - FIXED ASSETS

	HERITAGE LAND (A)	BUILDINGS	FURNITURE & EQUIP.	MACHINERY	MEDICAL EQUIP.	FIXED ASSETS IN SCOTLAND	TOTAL
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Cost							
Balance as of 1 January 2018	12,281	20,976	2,724	1,296	9,258	11	46,546
Foreign currency translation reserve	(286)	(487)	(63)	(30)	(215)	-	(1,081)
Additions	-	778	329	85	823	-	2,015
Revaluation of fixed assets (B)	22,218	2,976	-	-	-	-	25,194
Balance at year end	34,213	24,243	2,990	1,351	9,866	11	72,674
Accumulated depreciation:							
Balance as of 1 January 2018	-	7,810	2,325	1,001	6,316	11	17,463
Foreign currency translation reserve	-	(181)	(54)	(23)	(147)	-	(405)
Depreciation for the year	-	758	175	50	594	-	1,577
Balance at year end	-	8,387	2,446	1,028	6,763	11	18,635
Net book value as of 31 December, 2018	34,213	15,856	544	323	3,103	-	54,039
Net book value as of 31 December 2017	12,281	13,166	399	295	2,942	-	29,083

- (A) The land was transferred to the ownership of the Company by EMMS International during the year 2002 without consideration. In December 2012, a new appraisal of land and building of the charity in Nazareth was conducted by Mr. Samir Kwar according to which the market value was estimated at £20 Million, of which £10 Million refer to the land and the remainder of £10 Million refers to buildings. Land and building are presented at the revaluation method.
- (B) In 2018, the District committee for planning & building has approved the re designation of the Company's land from a private open area to an area designated for the purposes of the Company for health, education and biblical tourism. Subsequently, a new appraisal was conducted in 2018 by Mr. Samir Kwar according to which the market value is estimated at £50 Million, of which £34 million relates to the land and the remainder of £16 million relates to buildings.

NOTE 4 - RECEIVABLES IN RESPECT OF MEDICAL SERVICES

A. COMPOSITION

	31 December 2018 £ 000	31 December 2017 £ 000
Sick funds:		
Clalit Health Services	1,479	2,915
Maccabi Health Services	667	775
Leumit Health Services	641	521
Meuhedet Health Services	1,025	980
	<u>3,812</u>	<u>5,191</u>
Other receivables:		
Institutions	267	467
Checks receivable	314	402
Prepaid expenses	123	313
Others	522	508
	<u>5,038</u>	<u>6,881</u>
Less: provision for doubtful debts	<u>(250)</u>	<u>(256)</u>
	<u><u>4,788</u></u>	<u><u>6,625</u></u>

B. REVENUES LIMITED BY A CONSUMPTION CEILING (CAPPING)

The Arrangements Law for the State Economy (Legislative Amendments to Achieve Budget Goals for the 2002 Fiscal Year), 2002, (hereafter-"the Arrangements Law") set consumption ceilings (capping) for revenues from sick funds for every public hospital.

The consumption ceiling (capping) for each public hospital is based, among other things, on the average performance at a fixed fee for each sick fund on a separate basis.

See Note 11 regarding amounts of capping discounts and the revenues not participating in capping discounts.

C. COOPERATION AGREEMENTS WITH THE SICK FUNDS

It is stipulated in the Arrangements Law that the Hospital and the sick funds are permitted to establish another understanding between themselves for accounting for the purchase of services in the Hospital, as long as the understanding conforms with the conditions specified in the law, this after the agreement has been reviewed by the Minister of Health and the Minister of Finance.

The Hospital has signed agreements for cooperation with three sick funds up to the year 2019 and is still negotiating with Maccabi health services to sign a new agreement for 2019 as the former contract expired as of the end of 2018.

According to the cooperation agreements, the sick funds are obligated to acquire health services provided by the Hospital in a total minimum amount

of approximately £21 million. The Hospital is obligated to grant graduated discounts to part of the sick funds for the consumption of health services in excess of minimum amounts that were stipulated within this framework, a number of health services were specified for which payment will be according to actual consumption.

NOTE 5 - CASH AT BANK AND IN HAND

	31 December 2018 £ 000	31 December 2017 £ 000
Current bank accounts in NIS	2,737	1,384
In foreign currency	189	253
Petty cash	16	8
	<u>2,942</u>	<u>1,645</u>

NOTE 6 - BANK LOANS

A. LONG-TERM BANK-LOANS

	Annual interest rate %	31 December 2018 £ 000	2017 £ 000
Long-term bank loans	Prime + 2	797	1,309
Less current maturities		(482)	(494)
		<u>315</u>	<u>815</u>
By maturity date			
2019		482	
2020 - onward		315	
		<u>797</u>	

NOTE 7 - OTHER CURRENT LIABILITIES

	31 December 2018 £ 000	2017 £ 000
Wages and related expenses	2,509	3,329
Accrued vacation pay	2,132	2,078
Current maturities of actuarial obligation for med. mal.	730	748
Other	120	129
	<u>5,491</u>	<u>6,284</u>

NOTE 8 – PROVISION FOR CLAIMS DUE TO MEDICAL MALPRACTICE

Composition:	31 December	
	2018	2017
	£ 000	£ 000
Opening balance	13,572	13,904
Amounts paid	(562)	(465)
Foreign currency translation reserve	(317)	131
Balance at year end (1)	12,693	13,570
Less - Current maturities presented in other current liabilities	(730)	(748)
	11,963	12,822
Checks payable due to med. mal. - long term	67	173
	12,030	12,995

- 1) This amount is net of reinsurance. As detailed below, the Hospital has full coverage in respect of accident years 1994-2002 and certain coverage for the years 2003-2018. The total provision for claims due to medical malpractice amounts to £16.4 million, and the reinsurance as of December 31, 2018 totals £3.8 million.

The Company signed agreements with Insurance Company's for coverage of medical malpractice as follows:

<u>Event Year</u>	<u>Report Year</u>	<u>Coverage</u>	<u>Insurer</u>
Through 1993	Through 2002	Full coverage	Medanes
	2003 onwards	No coverage	Medanes
1994-2002	Extended reporting period	Full coverage	Medanes
2003-2008	2003-2008	Annual deductible \$300,000	Medanes
2003-2010	2009-2010	\$25,000 deductible per claim and a deductible of \$100,000 per claim for obstetrics	Medanes
2003-2011	2011	\$50,000 deductible per claim and a deductible of \$150,000 per claim for obstetrics	Medanes
2003-2012	2012-2013	\$50,000 deductible per claim and an aggregate of \$750,000	Howden
2003-2018	2014-7/2018	\$250,000 deductible per claim	AON
2003-2018	8/2018-12/2018	\$500,000 deductible per claim	AON

According to an actuary's opinion, the present value (based on annual discount rate of 2%) of the total accumulated amount of claims and events of medical malpractice incurred but not reported relating to services rendered as of 31 December, 2018 is estimated at £16.3 million and an appropriate provision was made in respect of amounts net of reinsurance.

NOTE 9 - DEFINED BENEFIT SEVERANCE AND PENSION LIABILITIES

A. Composition

	Year ended 31 December	
	2018	2017
	£ 000	£ 000
Liability for severance pay (B)	1,384	1,538
Liability for pension pay (E)	1,075	1,233
Less general severance fund	(7)	(7)
	<u>2,452</u>	<u>2,764</u>

B. The Hospital's liability for severance pay to its employees whose employment commenced prior to January 1984, is presented based on an independent actuarial calculation.

C. The Hospital's liability for severance pay to its employees whose employment commenced during the period January 1984 - June 1996, is fully covered by deposits to pension funds and insurance companies. Based on the opinion of the Company's legal advisor, the Company has no additional liability in respect of these employees.

D. The Hospital's liability for employees whose employment commenced on 1 July 1996 or thereafter is covered by regular payments to recognized insurance retirement plans in the name of the employees in accordance with section 14 of the Severance Law.

E. LIABILITY FOR PENSION PAY

In 1996 the Hospital reached an understanding with certain employees according to which employees, aged 50 and above with at least 20 years of employment as of July 1996, are entitled to monthly pension payments upon retirement.

The liability is recorded in the financial statements based on an independent actuarial calculation.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

A. As part of the agreements with the Banks, the Hospital agreed to receive a pre-approval from the Bank prior to granting a floating charge to third parties.

B. As detailed in note 2C, the MOH published milestones for current support to public hospitals in financial stress. In order for the Company to be entitled to operational support from the Government, the Company is committed to

increase its net profit by increasing income, or reducing expenses in an amount not less than the lower of 3% of the Company's net income for the year 2017 or 60% of the Government support received. Furthermore, the Company should improve its ratio of total expenses to total income excluding Government support and its ratio of salary expenses to net income by at least 1%. In addition, development projects should not be entered into without pre-approval from the Government. The Company submitted its work plan for 2019 to the MOH and Ministry of Finance detailing the financial improvements detailed above as required by the Government.

NOTE 11 - INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Composition:	Year ended 31 December	
	2018	2017
	£ 000	£ 000
Hospitalization	15,714	15,529
Differential activities	14,810	11,778
Emergency room	6,599	6,796
Ambulatory services	5,495	5,018
 Total rev. from med. services at full rates	 42,618	 39,121
 Discounts as per agreements	 (14,675)	 (11,295)
 Total revenues from med. services (*)	 27,943	 27,826
 Maternity grants	 5,797	 7,236
Medical services to others	1,402	1,044
Community services	93	106
	7,292	8,386
 Nursing school tuition income	 719	 638
	35,954	36,850

(*) Total revenues from sick funds include income not subject to the capping system of approximately £5,419 thousand, mainly for dialysis sessions, orthopedic clinics and tuberculosis center activity.

NOTE 12 - INVESTMENT MANAGEMENT COSTS

Composition:

	Year ended 31 December	
	2018	2017
	£ 000	£ 000
Financing expenses on credit & loans	123	145
Non-bank financial expenses, net	166	3
Exchange rate differences	-	6
Banking fees and others	2	5
Foreign currency translation reserve	(339)	156
	<u>(48)</u>	<u>315</u>

NOTE 13 - CHARITABLE ACTIVITIES

Composition:

	Year ended 31 December	
	2018	2017
	£ 000	£ 000
Salaries and related expenses - physicians	11,120	10,483
Salaries and related expenses - nurses	10,909	10,171
Salaries and related expenses - paramed.	2,134	1,996
Salaries and related expenses - admin. & housekeeping	2,886	1,962
Provision for employee benefits	(204)	494
Salaries and related expenses - other	1,189	890
	<u>622</u>	<u>448</u>
Professional liability insurance and losses	290	365
Purchase of services	799	840
Medications	3,820	3,362
Disposable medical equipment	1,274	1,129
Food and other costs	1,577	1,530
Depreciation	<u>36,416</u>	<u>33,670</u>
Household and maintenance expenses:		
Salaries and related expenses	2,442	2,284
Materials consumption	582	359
Electric, water, fuel and gas	554	585
Cleaning and security	1,234	1,059
Real estate rental and maintenance	369	293
	<u>5,181</u>	<u>4,580</u>
	<u>41,597</u>	<u>38,250</u>

NOTE 14 - GOVERNMENT GRANTS

Income from government grants comprises Support for current operations and construction and equipment.

Composition:

	Year ended 31 December	
	2018	2017
	£ 000	£ 000
Support for current operations:		
Operation	4,174	1,292
NICU excellence (*)	179	254
Line shortening, ER & infections prevention incentive	423	405
Construction and Equipment	517	471
	5293	2422

