

EMMS Nazareth

(A Company Limited by Guarantee)

Registered office: 151 St. Vincent Street, Glasgow G2 5NJ

Israel office: The Nazareth Hospital EMMS, P.O. Box 11,
Nazareth 16100, Israel

Company No. SC225661

Charity No. SC032510

Registered in Israel as a foreign owned company:
560019945

Financial Statements as at 31 December, 2021



Financial Statements as at 31 December, 2021

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Somekh Chaikin
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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 2021 and 2020 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 2021 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

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

Without qualifying our opinion, we draw the attention to note 2C in the financial statements regarding the hospital's financial position, and the dependence on government funding for public hospitals facing financial difficulties. As the Hospital is within the public health framework in Israel, the continuation of the hospital's operations as a "going concern" is dependent upon receiving ongoing support from the Ministry of Health to cover its deficit in cash flows.

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.

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.

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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 and 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

2021

Balance Sheets as at 31 December,

	Note	2021 £ thousand	2020 £ thousand
Fixed assets	3		
Heritage land		39,019	37,341
Tangible assets		35,005	28,150
		<u>74,024</u>	<u>65,491</u>
Current assets			
Stock		883	1,064
Receivables in respect of medical services	4	5,722	6,091
Short-term bank deposits		6,934	10,018
Cash at bank and in hand	5	303	713
		<u>13,842</u>	<u>17,886</u>
Current Liabilities (amounts falling due within one year)			
Short-term bank credit		836	1,031
Current maturities of long-term bank loans	6	721	640
Suppliers and service providers		6,030	6,435
Other current liabilities	7	7,590	7,819
		<u>15,177</u>	<u>15,925</u>
Net current assets		<u>(1,335)</u>	<u>1,961</u>
Total assets less current liabilities		<u>72,689</u>	<u>67,452</u>
Liabilities (amounts falling due after more than one year)			
Long-term bank loans	6	4,220	4,714
Provision for claims due to medical malpractice	8	12,610	12,409
Defined benefit severance and pension liabilities	9	2,382	2,529
		<u>19,212</u>	<u>19,652</u>
Net assets		<u>53,477</u>	<u>47,800</u>

The accompanying notes form an integral part of these financial statements

Balance Sheets as at 31 December, (Cont'd)

	<u>2021</u>	<u>2020</u>
	<u>£ thousand</u>	<u>£ thousand</u>
The funds of the Charity:		
Restricted funds	<u>5,795</u>	<u>5,018</u>
Unrestricted income funds:		
Unrestricted income funds - accumulated deficit	(24,339)	(20,695)
Revaluation reserve	47,164	45,138
Designated by management funds	<u>27,239</u>	<u>20,868</u>
Unrestricted income funds (excluding pension reserve)	50,064	45,311
Pension and severance reserve	<u>(2,382)</u>	<u>(2,529)</u>
Total unrestricted funds (including pension reserve)	<u>47,682</u>	<u>42,782</u>
Total charity funds	<u>53,477</u>	<u>47,800</u>



Dr. Morgan Jamieson
Chairperson of the
Board



Mr. Norman Bennett
Chairperson of Finance
and Audit Committee



Mr. Richard Mayhew
Chief of Executive Officer

Approval date: 17/06/2022

The accompanying notes are an integral part of these financial statements

Statements of Financial Activities as at 31 December,

	Note	Unrestricted funds £ thousand	Restricted funds £ thousand	Total funds year ended 31 December, 2021 £ thousand	Total funds year ended 31 December, 2020 £ thousand
Income and endowments from:					
Donations		361	3,982	4,343	2,332
Charitable activities	11	46,375	-	46,375	40,611
Other trading activities		724	-	724	875
Investments		3,247	-	3,247	2,229
Government allocations	14	7,213	1,462	8,675	12,449
Total		57,920	5,444	63,364	58,496
Expenditure on:					
Raising funds		-	(24)	(24)	(19)
Charitable activities	13	(54,464)	-	(54,464)	(49,316)
Other		(2,091)	-	(2,091)	(1,950)
Investment management costs	12	(1,511)	256	(1,255)	(920)
Total		(58,066)	232	(57,834)	(52,205)
Net income (loss)		(146)	5,676	5,530	6,291
Transfers between funds		4,899	(4,899)	-	-
Other recognized Gains					
Actuarial (losses) gains on defined benefit Pension Scheme		147	-	147	(86)
Net movement in funds		4,900	777	5,677	6,205
Reconciliation of funds					
Total funds brought forward		42,782	5,018	47,800	41,595
Total funds carried forward		47,682	5,795	53,477	47,800

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

	For the year ended 31 December,	
	2021	2020
	£ thousand	£ thousand
Net cash provided by operating activities (Appendix A)	5,002	8,534
Cash flows from investing activities:		
Purchase of plant and equipment	(7,908)	(7,789)
Redemption of (Investment in) short-term bank deposits	3,341	(5,002)
Net cash used in investing activities	(4,567)	(12,791)
Cash flows from financing activities:		
Receipt (repayment) of short-term bank credit	(228)	630
Receipt (repayment) of long-term bank loan	(617)	2,703
Net cash provided by (used in) financing activities	(845)	3,333
Decrease in cash at bank and in hand	(410)	(924)
Cash at bank and in hand at beginning of year	713	1,637
Cash at bank and in hand at end of year	303	713

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows (Cont'd)

	<i>For the year ended 31 December,</i>	
	2021	2020
	£ thousand	£ thousand
Appendix A		
Reconciliation of changes in resources to net inflow from operating activities		
Net incoming resources	5,531	6,292
Depreciation	2,622	2,160
Financing expense, net	(2,432)	(1,649)
Decrease (increase) in accounts receivable for medical services	607	1,177
Increase in stock	217	(241)
Decrease (increase) in suppliers and service providers	(657)	2,339
Increase (decrease) in other current liabilities	(886)	(1,420)
Decrease in provision for claims due to medical malpractice	(-)	(124)
Net cash flow from operating activities	5,002	8,534

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements as at 31 December, 2021

Note 1 - General

- A. (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, operates a nursing school and 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. The recognition is valid until December 31, 2023.

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 4B 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) The rules of accounting between hospitals and Sick Funds starting in 2021 were set in the Law of accounting between hospitals and Sick funds for the years 2021 to 2025 (consideration for health services in general public hospitals), -2021. The law sets, inter alia, how public hospitals and Sick Funds account for the purchase of health services in public hospitals during the years 2021-2025. According to the provisions of the Arrangements Law, the consumption ceiling (CAP) for years 2021-2025 will be based on the gross hospital revenues from Sick Funds between 2017 and 2019 with adjustments, including realistic and demographic adjustments. In addition, in accordance with the above law, all services purchased in public hospitals by the Sick Funds are reduced by 18.5% in addition to reduction for specific discounts granted by hospitals to Sick Funds regarding certain services. Beyond the CAP, the consideration will be at 20% to 55% of full price depending on the type of service provided.

Notes to the Financial Statements as at 31 December, 2021

Note 1 - General (Cont'd)

C. Definitions

The Hospital -	EMMS Nazareth.
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 (updated in March 2018).

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.

Notes to the Financial Statements as at 31 December, 2021

Note 2 - Significant Reporting and Accounting Policies (cont'd)

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

The public health system in Israel is budgeted and supervised by the Israeli government (hereinafter: "The Government") and operates in accordance with the State Health Insurance Act of 1994 (hereinafter: "The Law"). The law defines the health care provided by the government and the sources of budgeting for services included in the health basket.

Over the years, the growth in the health care system's budget has been eroded compared to population growth and the change in operating costs due to inflation and other costs. As a result, the majority of public hospitals and sick funds face recurring budget deficits. The government provides additional funding to government hospitals on an ongoing basis. In addition from 2017, privately owned public hospitals are eligible for government support according to support criteria published by the Ministry of Health.

Subsequent to date of the statement of financial position, on May 2, 2022, the accounting regulations between public hospitals and Sick Funds were published for the years 2021 to 2025 (consideration for health services in general public hospitals) (fixed monthly payment to general public hospitals), -2022 under Section 9 of the Accounting Law between Hospitals and sick funds for 2021 to 2025 (consideration for health services in general public hospitals), 2021. These regulations determine the eligibility of all public hospitals, regardless of their ownership structure, for operational support, as well as the ways in which the support is calculated and summed up. As part of the regulations, hospitals obliged, among other things, to periodic reporting requirements, the obligation to manage an operational budget without a deficit, and the obligation to maintain certain financial ratios, as well as limitations and balancing measures imposed on hospitals that do not comply with the regulations. The regulations also state that the amount of annual support to which a hospital or a network of hospitals will be entitled will not exceed 20% of the hospital's or the network's revenues from Sick funds for medical services. The regulations applies commencing 2022.

As of December 31, 2021, the Company has a cumulative operating deficit of NIS thousand 112,312 (December 31, 2020- NIS thousand 101,995. On March 9, 2021, the Minister of Finance committed in a summary of a discussion signed by him and the directors of the seven independent public hospitals, among other things, as follows:

- support criteria that took place in 2020 and are irrelevant in 2021 will be replaced in agreement with other support criteria.
- Regarding support criteria that took place in 2020 and relevant in 2021 – will remain in the same format.
- Hospitals who meet the relevant support criteria, their budget should be the same as the budget they received in 2020.

Notes to the Financial Statements as at 31 December, 2021

Note 2 - Significant Reporting and Accounting Policies (cont'd)

C. Preparation of accounts on a going concern basis (cont'd)

In another discussion held with the Director General of the Ministry of Finance and the Director General of the Ministry of Health and senior officials of their ministries on September 2, 2021, the Director General of the Ministry of Finance reiterated the commitment of the Ministry of Finance in the new government to the agreement reached with the Minister of Finance in the previous government as detailed above. Despite the commitments in the aforementioned agreements with the Minister of Finance and the Director General of the Ministry of Finance, according to the opinion of the Company's management, based on its legal advisors, the Ministries did not meet its obligations to the hospital and paid it significantly lower support amounts than committed in the above discussions and documents. The Ministries failure to meet its commitment to the hospital is the main reason for the company's deficit in 2021, a year in which the severe consequences of the coronavirus outbreak continued to hit hospitals in particular and the health system and the State in general. Later, on May 8, 2022, the company petitioned, through its legal advisors to the Supreme Court of Justice, to grant a probation order against the Minister of Finance and the Minister of Health to pay the hospital for 2021, the full amount of support it received in 2020 by paying it an additional NIS thousand 27,142 for 2021 and alternatively, at least an additional NIS 18,993 thousand, all plus arrears interest. The Supreme Court of Justice has instructed respondents to submit their response to the petition by June 19, 2022.

In the opinion of the company's management based on its legal advisors, there is a good chance that the court will grant its request. The company did not recognize a Government contribution receivable in respect thereof.

As detailed above, being part of the public health system in Israel, the continued activity of the hospital as a "going concern" is contingent on receiving government subsidies for the years 2022 onwards.

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 £ 57,634 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.

Notes to the Financial Statements as at 31 December, 2021

Note 2 - Significant Reporting and Accounting Policies (cont'd)**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.

Notes to the Financial Statements as at 31 December, 2021

Note 2 - Significant Reporting and Accounting Policies (cont'd)

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.

Notes to the Financial Statements as at 31 December, 2021

Note 2 - Significant Reporting and Accounting Policies (cont'd)**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), the general volunteer time of the friends is not recognized. Refer to the trustees' annual report for more information about their contribution.

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.

Notes to the Financial Statements as at 31 December, 2021

Note 2 - Significant Reporting and Accounting Policies (Cont'd)

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:

	<u>Dollar</u>	<u>Euro</u>	<u>Exchange rate</u> <u>Pound</u> <u>Sterling</u>	<u>Index for</u> <u>month of</u> <u>December</u> <u>(in points)</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	
As of 31 December				
2021	3.110	3.522	4.194	102.60
2020	3.215	3.944	4.392	100.10
2019	3.456	3.878	4.560	102.70
	<u>In %</u>	<u>In %</u>	<u>In %</u>	<u>In %</u>
Rate of change				
2021	(3.3)	(10.7)	(4.5)	2.5
2020	(7)	1.7	(3.7)	(0.7)
2019	(7.79)	(9.62)	(4.86)	0.6

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.

Notes to the Financial Statements as at 31 December, 2021

Note 3 - Fixed assets

	Heritage Land (A)	Buildings	Furniture and equipment	Machinery	Medical equipment	Fixed assets in Scotland	Total
	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand
Cost							
Balance as of 1 January, 2021	37,341	32,931	4,070	1,788	13,763	12	89,905
Foreign currency translation reserve	1,678	1,823	197	111	687	-	4,496
Additions	-	5,961	240	514	1,193	-	7,908
Balance at year end	39,019	40,715	4,507	2,413	15,643	12	102,309
Accumulated depreciation:							
Balance as of 1 January, 2021	-	11,285	3,088	1,251	8,778	12	24,414
Foreign currency translation reserve	-	584	160	65	440	-	1,249
Depreciation for the year	-	1,340	351	160	771	-	2,622
Balance at year end	-	13,209	3,599	1,476	9,989	12	28,285
Net book value as of							
31 December, 2021	39,019	27,506	908	937	5,654	-	74,024
Net book value as of							
31 December, 2020	37,341	21,646	982	537	4,985	-	65,491

- (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 Kavar 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 Kavar 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.

Notes to the Financial Statements as at 31 December, 2021

Note 4 - Receivables in Respect of Medical Services

A. Composition

	31 December,	
	2021	2020
	£ thousand	£ thousand
Sick funds:		
Clalit Health Services	2,478	2,736
Maccabi Health Services	368	706
Leumit Health Services	372	230
Meuhedet Health Services	1,335	1,181
	4,553	4,853
Other receivables:		
Institutions	401	420
Checks receivable	76	144
Prepaid expenses	219	319
Others	473	355
	5,722	6,091

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. Finance Lease

During 2019 the hospital signed an agreement for purchase of two CT machines in a finance lease arrangement at a total cost of EUR 1 Million (plus VAT) for a period of five years. At the end of the term both the machines as well as related equipment will be transferred to the ownership of the hospital at no additional cost. As of balance sheet date, prepaid expenses represent the down payment paid as part of the agreement.

Notes to the Financial Statements as at 31 December, 2021

Note 4 - Receivables in Respect of Medical Services (Cont'd)

D. 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 all four sick funds up to and including year 2023.

Note 5 - Cash at Bank and in Hand

	31 December,	
	2021	2020
	£ thousand	£ thousand
Current bank accounts in NIS	143	596
In foreign currency	145	110
Petty cash	15	7
	<u>303</u>	<u>713</u>

Note 6 - Bank Loans

A. Long-term bank-loans

	Annual interest rate %	31 December,	
		2021	2020
		£ thousand	£ thousand
Long-term bank loans (B below)	1.6-5	4,942	5,354
Less current maturities		(722)	(640)
		<u>4,220</u>	<u>4,714</u>

Notes to the Financial Statements as at 31 December, 2021

Note 6 - Bank Loans (Cont'd)**B. Additional information**

The Hospital signed loan agreements with several banks to finance investments in constructing new wards and services as well as to upgrade existing wards in the Hospital. The loans were received for periods ranging between 5 and 12 years, bearing annual interest rates ranging between 1.6% -5%. For part of the loans, a grace period was granted in which no principal repayments are made.

Classified by maturity date

	31 December, 2021 £ thousand
2023	729
2024	738
2025	472
2026 - onward	2,281
	<u>4,220</u>

Note 7 - Other Current Liabilities

	31 December, 2021 £ thousand	2020 £ thousand
Wages and related expenses	3,382	4,267
Accrued vacation pay	2,856	2,593
Current maturities of actuarial obligation for medical malpractice	1,190	797
Other	162	162
	<u>7,590</u>	<u>7,819</u>

Notes to the Financial Statements as at 31 December, 2021

Note 8 - Provision for Claims Due to Medical Malpractice

Composition:

	31 December,	
	2021	2020
	£ thousand	£ thousand
Opening balance	13,206	12,841
Amounts paid	(1,220)	(990)
Accident year	1,814	1,355
Balance at year end (1)	13,800	13,206
Less - Current maturities presented in other current liabilities	(1,190)	(797)
	<u>12,610</u>	<u>12,409</u>

- (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 2003-2021. The total provision for claims due to medical malpractice amounts to £16.8 million, and the reinsurance as of December 31, 2021 totals £3.6 million.

Notes to the Financial Statements as at 31 December, 2021**Note 8 - Provision for Claims Due to Medical Malpractice (Cont'd)**

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

Accident Year	Report Year	Coverage	Insurer
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
2018-2021	8/2018-12/2021	\$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, 2020 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**

	For the year ended 31 December,	
	2021	2020
	£ thousand	£ thousand
Liability for severance pay (B)	1,375	1,431
Liability for pension pay (E)	1,015	1,105
Less general severance fund	(8)	(7)
	2,382	2,529

Notes to the Financial Statements as at 31 December, 2021

Note 9 - Defined Benefit Severance and Pension Liabilities (cont'd)

- 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. See note 1A(4), regarding the terms derived from the receipt of governmental support.
- C. A claim of NIS 2 Million was submitted against the Hospital by a former employee. According to the hospital's Legal advisors the chances of the claims being accepted is low, and accordingly the financial statements do not include a provision for these claims. subsequent to date of statement of financial position, most of the claim was rejected and the company paid the employee NIS 60 thousand as increased severance pay.
- D. During 2021, the company signed the following contracts:
 1. A lease contract with Dusik Ltd according to which the Company will lease three departments totaling approximately 4,700 square meters– psychiatry (transferring the existing department and expanding it to 30 beds), dialysis (an expansion of 20 stations in addition to the existing ward in the hospital) and rehabilitation (opening a new department in the field of activity that does not exist in the hospital's basket of services). The lease term is for a period of 10 years from the date of receipt of the physical possession of each department. as of approval date of these financial statements, the hospital had received the psychiatric ward, transferred its existing ward on the hospital grounds and began operating it in the rented area. The admission of the dialysis department to the hospital is expected to be carried out by the end of August 2022.
 2. A contract With Herzliya Medical Center regulating cooperation between the two parties so that the hospital will provide surgical and invasive services for holders of the Clalit supplementary insurance (Mushlam) through administrative mediation of Herzliya Medical Center. The contract period is for 3 years with a renewal option for an additional 3 years at a time.

Notes to the Financial Statements as at 31 December, 2021**Note 11 - Incoming Resources from Charitable Activities****Composition:**

	For the year ended 31 December,	
	2021	2020
	£ thousand	£ thousand
Hospitalization	20,890	18,577
Differential activities	19,294	17,769
Emergency room	8,458	7,062
Ambulatory services	7,628	6,823
Total revenues from medical services at full rates	56,270	50,231
Discounts as per agreements	(21,512)	(18,438)
Total revenues from medical services (*)	34,758	31,793
Maternity grants	8,471	6,745
Medical services to others	2,362	1,545
Community services	152	80
	10,985	8,370
Nursing school tuition income	632	448
	46,375	40,611

(*) Total revenues from sick funds include income not subject to the capping system of approximately £6,245 thousand, mainly for dialysis sessions, orthopedic clinics and tuberculosis center activity.

Note 12 - Investment Management Costs**Composition:**

	For the year ended 31 December,	
	2021	2020
	£ thousand	£ thousand
Financing expenses on credit and loans	(198)	(199)
Non-bank financial expenses, net	(71)	(197)
Exchange rate differences	-	-
Banking fees and others	-	-
Foreign currency translation reserve	(840)	(524)
	(1,109)	(920)

Notes to the Financial Statements as at 31 December, 2021

Note 13 - Charitable Activities**Composition:**

	For the year ended 31 December,	
	2021	2020
	£ thousand	£ thousand
Salaries and related expenses - physicians	14,394	13,428
Salaries and related expenses - nurses	15,164	13,703
Salaries and related expenses - paramedical	3,082	2,512
Salaries and related expenses - administration and housekeeping	2,563	2,529
Provision for employees benefits	-	-
Salaries and related expenses - other	1,012	1,151
Professional liability insurance and losses	1,698	1,536
Purchase of services	555	402
Medications	1,043	915
Disposable medical equipment	5,590	4,949
Food and others costs	1,877	1,882
Depreciation	2,622	2,161
	49,600	45,168
Support from Ministry of Health to cover - COVID 19 related expenses	(1,842)	(2,337)
	47,758	42,831
<u>Household and maintenance expenses:</u>		
Salaries and related expenses	2,994	3,047
Materials consumption	615	733
Electric, water, fuel and gas	679	655
Cleaning and security	1,834	1,622
Real estate rental and maintenance	584	428
	6,706	6,485
	54,464	49,316

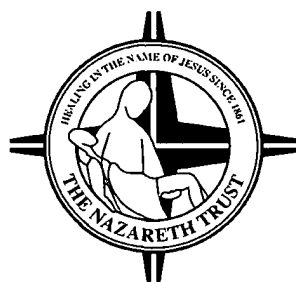
Notes to the Financial Statements as at 31 December, 2021

Note 14 - Government Grants

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

Composition:

	For year ended 31 December	
	2021	2020
	£ thousand	£ thousand
Support for current operations:		
Operation	2,660	4,799
Support to cover income reduction due to COVID-19	4,061	3,336
National incentive for NICU excellence, Line shortening, emergency room and infections prevention	493	573
Construction and Equipment	1,462	3,741
	<u>8,676</u>	<u>12,449</u>



EMMS NAZARETH
(OPERATING AS THE NAZARETH TRUST)

ANNUAL REPORT 2021



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

TRUSTEES

Morgan Jamieson, Chair
Judith Hill Vice-Chair

Norman Bennett, Trustee Financial Officer
Azar Ajaj
Mones Farah
Jason Leitch
Stephen Nash
David Pye
Geoffrey Spence
Mary Macleod
Naomi Beer

BANK

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PRINCIPAL UK & REGISTERED OFFICE

The Nazareth Trust
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LEGAL ADVISOR (ISRAEL)

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Adgar 360 Tower, 2 Hasloscha Street
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SENIOR EXECUTIVES

Richard Mayhew, CEO
Waseem Dibbini, CFO & Dep. CEO

Dr Fahed Hakim, Medical Director

AUDITOR

KPMG Somekh Chaikin
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KPMG Millennium Tower
Tel Aviv 6100601, Israel

PRINCIPAL ISRAEL OFFICE

The Nazareth Trust
Nazareth Hospital EMMS,
PO Box 11, Nazareth, 16100

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

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



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

1. Objectives and Aims.

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 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 that aim to satisfy TNT's healthcare purposes, 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. In 2021, there were over 220,000 patient visits to the Hospital, including over 70,000 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 Accident and Emergency, General Surgery, Maternity and nationally accredited Neonatal Intensive care, Paediatric Surgery, Psychiatry and Intensive care. There is also an active Renal Dialysis service 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.



THE NAZARETH TRUST

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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 offers opportunities for vocational work to the local, underserved and predominantly Israeli Arab population.

Each academic year, up to 400 students are enrolled at the School. The programmes available 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 Arab 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 most extensive programme of its kind in Northern Israel.

Out of the many opportunities available, volunteers can serve in the hospital chaplaincy or Pastoral Care team, volunteer 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.

The Nazareth Village is well established as a major Christian ministry and tourist operation in Northern Israel. There have been over 1 million visitors to the Nazareth Village since its founding in 2001.



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

2. Achievements, Performance and Future Plans

Due to the continuing COVID-19 pandemic, 2021 brought many challenges across all of TNT's services. Israel experienced its third, fourth and fifth waves, leading to a travel ban on foreign visitors, education establishment closures, and strict quarantine rules to combat the spread of Covid. Despite this, TNT experienced significant achievements, particularly in accessing financial support to enable significant capital developments and renovations at the Nazareth Hospital. Our key successes are as follows:

2.1 Healthcare – Nazareth Hospital EMMS

The Nazareth Hospital was at the forefront of providing care for patients affected by Covid, and during the year over 300 patients were admitted to our Covid intensive care wards. A biological ER was set-up to screen and test patients and the public for COVID to restrict the spread of the virus in the community. The hospital also provided important health education and advice to the Arab community during the various lockdowns through social media, radio and TV communications.

Capital Developments:

- Completion of a new 12 bed fortified ICU department.
- Renovation and expansion of the Dialysis unit, increasing the number of stations from 20 to 28.
- Renovation of 5 labour rooms.
- An additional parking area to accommodate 100 additional cars.
- Infrastructure improvements, including increasing medical gases capacity, and improvements to the electricity mainboard and transformers.

Other Developments

- Opening of the new Fertility Clinic.
- Additional ten psychiatric beds licensed to increase the number of licensed beds to twenty.
- Contract agreement with Golden Care Doshi Medical Center in Nazareth finalised to include:
 - a. Moving the psychiatric department to Golden Care facility to enable expansion to thirty admission beds.
 - b. Establishing an additional dialysis unit at Golden Care to increase access to dialysis in other parts of the city.
 - c. Future expansion of Nazareth Hospital services at Golden Care to potentially include a Rehabilitation department.
- Securing a USAID ASHA 1m USD grant for new dialysis equipment.
- Plans for new ER approved in principle by MOH.
- Visit by President of Israel Isaac Herzog to mark the Hospital's 160th Anniversary Celebrations.



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

EMPLOYEES BY JOB FUNCTION

Sector	Full-Time Equivalent	No. of Employees
Nursing	213.11	238
Aid Nurses and Orderlies	36.01	72
Administrative	137.93	198
Other	14	14
Paramedical	57.27	88
Physicians	156.05	204
Total	614.39	814

PHYSICIANS BY ROLE

Physicians	Total
Specialist	64
Senior Specialist (Specialists with additional sub-speciality)	22
Director	1
Resident Physicians	72
Interns/Medical Trainees	7
External on-call	20
House Physician	18
Total	204

Maternity Statistics	2018	2019	2020	2021
Deliveries	1,595	1,541	1,608	1,934
Neonatal Intensive Care Births	30	36	31	37



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

Hospital Departments:

Anaesthesia	General Surgery	Outpatient Clinic
Biomedical Engineering	Hydrotherapy	Paediatric Surgery
Bone Density	Intensive Care	Pain Clinic
Cardiology	Internal Medicine	Pharmacy
Catheterisation (incl. cardiovascular)	In Vitro Fertilisation	Physiotherapy
Chest Clinic	Laboratory	Prenatal
Delivery Room	Neonatal Intensive Care	Psychiatry
Dialysis	Neurology	Psychology Centre
Dieticians	Obstetrics & Gynaecology	Radiology (inc. X-Ray, CT, US & Bone density)
Emergency Medicine	Operating Theatres	Social Services
Gastroenterology	Orthopaedic Surgery	TB Clinic
Urology	Stroke Unit	Pulmonology Unit

Teaching Departments:

Anaesthesia	Dialysis	Gastroenterology (incl. motility)
General Surgery	Internal Medicine	Neurology
Obstetrics & Gynaecology	Orthopaedic Surgery	Psychiatry



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

Hospital Admissions	2018	2019	2020	2021
Admitted patients	12,177	12,886	11,479	12,881
Admission days	45,478	45,923	43,776	42,903
ER (incl. Night Centre)	65,574	68,933	65,675	70,512
Outpatients	113,254	121,408	114,303	140,470

Admissions by dept:	2018	2019	2020	2021
Orthopaedics	1709	1664	1512	1478
ICU	1042	1012	961	1119
Paediatrics	547	927	465	107
General Surgery	2897	2954	3027	3509
Obstetrics and Gynaecology	655	646	696	868
NICU	112	123	114	129
Internal Medicine	4041	4369	3447	4086
Weekly Dialysis Sessions	161	166	166	161
Psychiatric	97	85	152	175
Catheterisation Interventions	916	940	939	1098
Covid-19 (ICU)	-	-	330	367
Total	12,016	12,720	11,643	12,936

RESIDENCY PROGRAMS

Anesthesia	Partial
General Surgery	Partial
Internal Medicine	Full
Neonatal Intensive Care	Partial
Radiology (incl. X-Ray, CT, US & Bone Density)	Partial
Obstetrics & Gynecology	Partial
Emergency Medicine	Full
Orthopedic Surgery	Full
Urology	Partial
Psychiatric	Rotation



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

2.2 Healthcare Education – Academic School of Nursing

- The School continued to maintain its good academic record and excellent reputation. Since the SON opened in 1924, 2,800 students have graduated.
- The COVID-19 pandemic caused considerable disruption to the School, restricting teaching to online and limiting recruitment efforts for the new intake of students.
- There have been challenges in recruiting sufficient numbers of students for the BA programme, and discussions are at an advanced stage with potential partner colleges.
- The graduate nursing transition programme has expanded to two intakes per year.
- On September 9th, a national conference for nursing specialists was held titled 'We are all being well'. The central theme was 'the patient and caregiver well-being'. The conference was a collaboration between the Nazareth School of Nursing and the Ministry of Health. It was attended by around 420 nurses from all health institutions.
- In 2021 a range of scholarships were awarded to students, who volunteered within the community.
- Two articles were published in international journals, the result of research led by Dr Salam.
- In recognition of the SON's growing reputation in nursing education within the Arab sector, the Ministry of Health has expressed its commitment to fund 50% of the cost in building an additional floor to house a simulation centre and additional classrooms. Following a recent donation of \$1.2m, plans are being finalised for two floors to be added to the SON building.

	2018	2019	2020	2021
Students taking government nursing exams	81	109	72	72
Pass rate	97.5%	90%	100%	90%

Student Statistics	Total
BA Students	36
Career Retraining (Transition programme)	280



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

2.3 Biblical Education – Nazareth Village

- The outbreak of the COVID-19 pandemic in March 2020 resulted in a ban on foreign tourists to Israel. The Village needed to close, and staff were placed on government-funded furlough.
- The closure continued until October 2021, but when restrictions to foreign travel were eased, the Village was able to partially re-open. However, the fifth wave brought on by Omicron variant resulted in a further closure.
- The lifting of travel restrictions at the beginning of 2022 resulted in a modest flow of tourism, and it is anticipated there will be around 60,000 visitors to the Village in 2022, 50% of the 2019 numbers.
- The COVID-19 pandemic has also caused delays in planning applications, and the permit for a new visitor's centre is yet to be granted.

Visitor Numbers			
2018	2019	2020	2021
117,491	123,125	23,000	2285

2.4 Christian Witness – SERVE Nazareth

- SERVE Nazareth was closed at the beginning of the COVID-19 pandemic due to the ban on entry of foreign visitors to Israel. The recently renovated SERVE accommodation was used to house the Psychiatric Department thus enabling the old Psychiatric department to become a Covid ward.
- It is anticipated that SERVE Nazareth will be able to re-open during 2022.
- However, the closure of SERVE provided the opportunity to expand the Pastoral Care Team in order to provide emotional and spiritual care to staff and patients at the Hospital during the COVID-19 pandemic.

	2018	2019	2020	2021
Volunteers	210	138	17	2

F/T staff equivalent	7.5	7.6	2.5	2
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KPI comparison to 2020	2020	2021
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Total number of Volunteers	17	2
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No. months service from individuals	39	24
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No. of days service from groups	0	0
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Total days of service	838.50	600
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Total hours of service	5,031	4800
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THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

2.5 Future Plans

Our Strategic Plan 2020-25 outlines our vision for the future and identifies TNT's goals and objectives. We are committed to continuing to develop and expand our high-quality services– at the hospital, to develop our facilities so as to provide better quality of care; at the School of Nursing, to expand the campus building and to develop a broader educational offer; at the Nazareth Village, to improve the visitor experience through the development of a new Discovery Centre; and at SERVE, to develop the breadth of volunteering opportunities.

Nazareth Hospital

We continue to develop the Nazareth Hospital's quality of health care for our patients and their families and have substantially modernised our facilities and expanded our capacity over the past few years.

However, to enhance our reputation as the major trauma and acute care hospital in Nazareth, in line with the Israeli Ministry of Health strategy for the region, we need to expand our ER. The MOH has agreed in principle for this expansion, from 20 stations to 70, and plans are being currently being drawn up for not only the ER expansion, but also a substantial new hospital facility to enable expansion across all hospital departments.

Academic School of Nursing

The numbers of students enrolling at the SON continues to increase, particularly in the Nursing transition programme. The BA programme is being reviewed, and discussions with a Further Education partner are ongoing.

A particular focus over the next few years will be to expand the SON facility. MOH has agreed to match fund building works to provide a further two floors on the building, and this has been matched by a donor. It is likely that the building development will commence in 2022.

Nazareth Village

The visitor centre is currently leased, and lack the modern facilities that visitors expect. A building permit has been secured to build a purpose built 'Discovery Centre' and to date, 50% of the building costs have been raised.

SERVE Nazareth

Having completed the renovation of the main accommodation facility, plans have been drawn up to continue to develop the surrounding grounds, to include a new chapel.



THE NAZARETH TRUST

HEALING IN THE NAME OF JESUS SINCE 1861

3. Governance, Structure & Management

3.1 Board of Trustees

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

However, the COVID-19 pandemic and the subsequent restrictions on travel to Israel meant that all Board meetings and Committees were held by Zoom. In addition to the regular Board meetings, an Emergency Sub-Committee continued to meet to oversee the organisation during the COVID-19 crisis. This Committee met with Executives as often as fortnightly throughout most of the year.

As detailed in the Memorandum and Articles of Association and supplemented by the Board's Standing Orders, the Board appoints all new Trustees. New Trustees go through an induction period, which includes an orientation visit to Nazareth where possible, 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, three Committees also meet regularly. These are:

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

All Committees meet at least three times annually except for the Remuneration Committee, which meets at least once annually.

There are two additional committees. These are:

- IVF Ethics Committee - To provide overarching guidance for the conduct of the new IVF unit at the Nazareth Hospital in regard to both clinical practices and research, and in conjunction with Israeli legislation.
- Christian Ministry Advisory Group – To provide guidance and oversight of the development of the Christian ministry within the Nazareth Trust.

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

- Direction: providing strategic visions, utilising a life-long perspective on good governance and development.
- Expertise: evaluating organisational effectiveness, efficiency and the use of resources, ensuring that the needs of those we serve are met.
- Impartiality: ensuring legal, operational, and HR frameworks are enforced without bias.
- Discipleship: protecting and promoting the Christian heritage, mission, vision and identity of the Nazareth Trust.

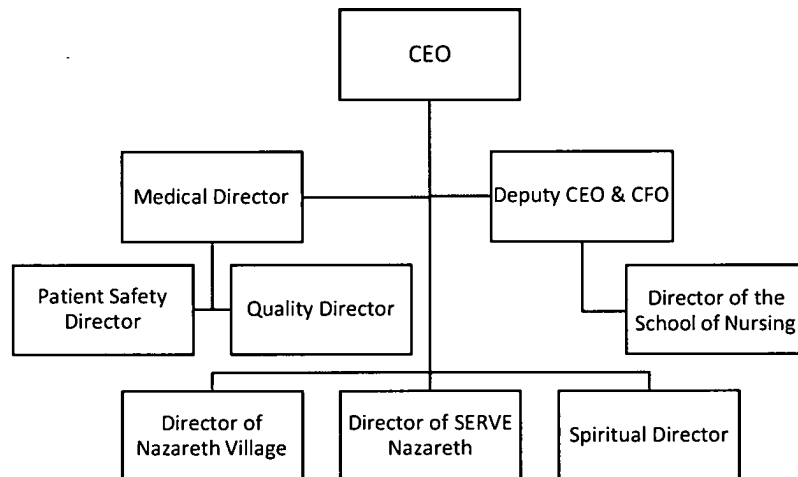


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3.2 Senior Management

- 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
- Prof Fahed Hakim, Medical Director
- Dr Salam Hadid, 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
- Marta Bahous, Hospital Director of Nursing



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3.3 Risk Management

3.3.1 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 identifying the types of operational risk faced and the potential impact on TNT should the risk occur.

As a healthcare provider, all significant medical incidents and sentinel events are reported to the 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 conducting audits on issues with higher risk factors. In 2017, the Finance & Audit Committee and the Board of Trustees agreed upon a three-year internal audit plan that included areas not previously reviewed. In 2020, the Board initiated a review of all risk across all areas of the organisation.

The Quality & Safety directorate is separated into two distinct categories of 'Quality' and 'Patient Safety'- a split intended to facilitate a focused approach to both issues and implement higher clinical care standards. 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 that safeguarding practice reflects statutory responsibilities, government guidance and also complies with best practice. Policies are in place in both the UK and Israel – the latter set out, and governed by, Israeli employment law. The former is reviewed on a three-year basis according to 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 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 cooperates 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.



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3.3.2 Financial Risk

TNT reviews its financial position on an ongoing basis. Management accounts are produced internally and submitted by the Chief Financial Officer to the Chief Executive Officer and Trustee Finance Officer. The Finance and Audit Committee meets a minimum of three times annually to review performance against the planned budget, to optimise both income and expenditure whilst ensuring continuing quality of services. An Annual Plan is generated covering planned capital developments and the associated required funds.

Being primarily a healthcare provider, TNT faces ongoing financial pressures requiring 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 contract terms. As such, the Nazareth Hospital must offer highly discounted rates to maintain operations.
- To achieve operationally balanced financial results, the Hospital, among other things, pays reduced salaries to its staff compared to other public healthcare providers in Israel. This, along with the competitive environment the Hospital operates in, generates a continuous challenge to the recruitment and retention of clinical staff.
- Ensuring a daily cash flow continues to be a significant 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, a provision is made to reduce TNT's long-term liabilities by repaying long-term debts.

3.4 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.

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 brought to the Board and ratified.

TNT's aim is to maintain an operationally balanced budget, at least. Over time the aim is to begin to generate funds internally to contribute to the improvement of the Trust's infrastructure and the managed replacement of essential equipment. Cost-saving strategies during the year included identifying additional income streams, delaying recruitment if possible and enhancing additional efficiencies in operational expenditure.



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3.5 Remuneration 2021

Total staff no: - 800+

Key management personnel cost (not incl. Board): £754,174

Total Trustee cost: £4,221

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 Salaries > £60k (Gross including benefits)

Between £60,000 & £70,000	68
Between £70,000 & £80,000	53
Between £80,000 & £90,000	57
Between £90,000 & £100,000	31
Between £100,000 & £110,000	9
Between £110,000 & £120,000	11
Between £120,000 & £130,000	2
Between £130,000 & £140,000	4
Between £140,000 & £150,000	4
Between £150,000 & £160,000	6
Between £160,000 & £170,000	0
Between £170,000 & £180,000	0
Between £180,000 & £190,000	6
Between £190,000 & £200,000	2
Between £200,000 & £210,000	2
Between £210,000 & £220,000	2
Between £220,000 & £230,000	2

The Remuneration Committee meets at least annually to review and assess pay levels. It is important to note that concerning staff salaries for our employees 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. This is reflected in the remuneration table above.



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5. Financial Review

5.1 Ongoing Impact of COVID-19 and Potential Financial Implications

Trustees are aware of the need to provide information regarding the potential impact on the charity in 2022 due to COVID-19.

Financial challenges for 2021 were anticipated when preparing the 2021 Annual Budget, as the Governmental support levels were not clear, and yet the impact of COVID-19 was continuing (i.e., less income and increased expense), and this impact would continue even post COVID-19. There were significant uncertainties in putting a budget together regarding SF contracts, governmental support, the impact of the pandemic, and that the Government was still working without an agreed state budget. Accordingly, it was not possible to finalise a TNT budget at the beginning of 2021.

The group of 7 non-governmental hospitals then put pressure on the Government and MOH to reach an agreement regarding the funds to be granted to the non-governmental hospitals in 2021, with a commitment being made by government that this financial support would not be less than that received in 2020 and a promise of additional funding should the impact of COVID-19 extend beyond June 2021. Based on this agreement, TNT Board was able to finalise a balanced budget for 2021.

However, in March 2021, there were new Israeli elections, resulting in changes to both Ministers from the Ministries of Finance and Health. Whilst some of the funding had been released in accordance with the agreed commitment, it became apparent that there were delays from the MOH in fully releasing what had previously been committed.

In July 2021, with the outbreak of COVID-19 wave 4, TNT faced further financial pressures, as did other healthcare providers. The reduction in anticipated income was caused by beds not being fully occupied, delays in the Sick Funds ratifying the IVF contract, psychiatric patients not wishing to be admitted to the Hospital because of fears of Covid, and the continuation of COVID-19 related expenses. Following further pressures on Ministers, in September 2021, the MOF again reiterated its commitment to the previously agreed funding agreement and a reassurance that the funding issue would be settled in full and on time. However, by the end of 2021, there was a substantial shortfall in the anticipated funding from the MOH.

Whilst every effort has been made to engage with both MOH and MOF to find a resolution, lobbying through Members of the Knesset and the British Ambassador to Israel, the shortfall in anticipated funding for 2021 remains, and an operating deficit of £146k has been recorded for the 2021 financial year. The deficit recorded in the Israeli accounts has been offset in the UK accounts by a currency translation from NIS to £ sterling. The Trust enjoys net assets that are for the most part held in the Israeli currency. During 2021 the depreciation of the £ sterling against the Israeli shekel has resulted in a net financial gain/ income of £1736k (as reported in the Statement of Financial activities). Therefore, it is with great reluctance that the Board has submitted an appeal to the Israel Supreme Court, and this legal action is currently ongoing in 2022.



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In 2022, the Government agreed to provide additional support funding to all hospitals according to a funding criteria. As with all hospitals in Israel, this support funding, whilst partially relieving pressures on cash flows, is insufficient to cover full expenditure based on current operations. Non-governmental hospitals are again challenging the criteria used to calculate the level of support.

Whilst there remains considerable financial pressures, the Board are confident that the Nazareth Hospital remains an integral part of the Israeli health system, and as such, the ongoing operation of the hospital is secure. However, if the hospital requires emergency Government funding, it is possible that the government could impose 'special measures' on the hospital as a condition of additional funding. Whilst much depends on the outcome of the legal action to the Supreme Court, and continuing pressure on the Government to amend the support criteria, the Board are examining longer-term forecasts which involve increasing the hospital's private income alongside cost-saving measure.

The Nazareth Village re-opened in February 2022 following the lifting of restrictions for entry to Israel. It is anticipated that up to 60,000 visitors will visit the Village by the end of 2022. Serve Nazareth will open in September 2022. Teaching at SON continues and the numbers of students enrolled at the SON are not adversely affected by COVID-19.

Whilst COVID-19 continues to present enormous financial challenges, the charity's work has continued, with the Nazareth Hospital being at the forefront of the current crisis of provision of healthcare in Nazareth and the surrounding communities.

5.2 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.

5.3 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 Centre. TNT's policy is to hold cash reserves in a separate bank account in an amount that equals at least the amount of the restricted funds.

The aim of the Trust over the medium term is to generate sufficient surpluses from unrestricted operations to provide cash reserves equal to 90 days of operational expenditure.

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.



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5.4 Reserves Status

At the close of 2021, TNT's reserves totalled £52,998k, and the restricted fund balance totalled £5,808k. Restricted funds are primarily for imminent capital developments, mainly the new Discovery Centre at the Nazareth Village, the latest IVF unit, and the maternity and labour room renovations.

5.5 Auditor

KPMG are the appointed auditors after a tender process conducted in 2013.

5.6 Trustees' Responsibility in Relation to Financial Statements

Company law requires Trustees to prepare financial statements that give an accurate and fair view of the state of affairs of EMMS Nazareth (The Nazareth Trust) for 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 sound 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 to prevent and detect fraud and other irregularities.

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

Morgan Jamieson, Chair of the Board of Trustees

Date: 17/06/2022