EMMS Nazareth

(A Company Limited by Guarantee)

Registered office: 10 Palmerston Place, Edinburgh,
Scotland, EH12 5AA

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, 2025

Financial Statements as at 31 December, 2025

Contents

Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements

Under charity law, the trustees are responsible for preparing a Trustees' Annual Report and the charity financial statements in accordance with applicable law and regulations.

The trustees are required to prepare the charity financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The charity's financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the charity's incoming resources and application of resources for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the charity financial statements;
- state whether the Company's financial statements comply with the trust rules, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the charity or to cease operations or have no realistic alternative but to do so.

The trustees are required to act in accordance with the trust rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005, those statements of accounts comply with the requirements of regulations under those Acts. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

KPMG Somekh Chaikin
8 Hartum St., Har Hotzvim
PO Box 212
Jerusalem 9100102, Israel
+972 2 531 2000

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 2025 and 2024 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 2025 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").

In our evaluation of the trustees' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and charity's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the charity's ability to continue as a going concern for the going concern period.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Management as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board minutes.

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Company's management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue from medical services is regulated by the Government of Israel.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and unusual journals based on defined criteria.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with Management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of Management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

We have nothing to report in these respects.

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 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; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

KPMG

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.

Somekh Chaikin

Herve Berdah (Statutory Auditor)
for and on behalf of KPMG Somekh Chaikin

June 25, 2026

Balance Sheets as at 31 December,

	Note	2025 £ thousand	2024 £ thousand
Fixed assets	3		
Heritage land		**38,228**	35,852
Tangible assets		**44,007**	35,543
		82,235	71,395
Current assets			
Inventories		**1,001**	1,026
Receivables in respect of medical services	4	**13,036**	12,973
Short-term bank deposits		**10,095**	7,045
Cash at bank and in hand	5	**2,262**	1,278
		26,394	22,322
Current Liabilities (amounts falling due within one year)			
Short-term bank credit		**99**	1,455
Current maturities of long-term bank loans	6	**712**	583
Suppliers and service providers		**8,228**	6,410
Other current liabilities	7	**10,522**	9,012
		19,561	17,460
Net current assets		**6,833**	4,862
Total assets less current liabilities		**89,068**	76,257
Liabilities (amounts falling due after more than one year)			
Long-term bank loans	6	**4,897**	3,969
Provision for claims due to medical malpractice	8	**12,354**	11,586
Defined benefit severance and pension liabilities	9	**1,177**	1,302
		18,428	16,857
Net assets		**70,640**	59,400

The accompanying notes form an integral part of these financial statements

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

	2025	2024
	£ thousand	**£ thousand**
The funds of the Charity:		
Restricted funds	**3,381**	2,653
Unrestricted income funds:		
Unrestricted income funds - accumulated deficit	**(19,463)**	(20,597)
Revaluation reserve	**46,183**	47,999
Designated by management funds	**41,716**	30,647
Unrestricted income funds (excluding pension reserve)	**68,436**	58,049
Pension and severance reserve	**(1,177)**	(1,302)
Total unrestricted funds (including pension reserve)	**67,259**	56,747
Total charity funds	**70,640**	59,400

Mr. Geoffrey Spence
Chairperson of the Board

Mr. Murray McNicol
Chairperson of Finance and Audit Committee

Mr. Waseem Dibbini
CEO

Approval date: June 25, 2026

The accompanying notes are an integral part of these financial statements

Statements of Financial Activities for the year ended 31 December,

	Note	Unrestricted Funds	Restricted funds	Total funds year ended 31 December, 2025	Total funds year ended 31 December, 2024
		£ thousand	£ thousand	£ thousand	£ thousand
Income and endowments from:					
Donations		**544**	**2,221**	**2,765**	2,972
Charitable activities	11	**59,683**	**-**	**59,683**	53,374
Other trading activities		**1,220**	**-**	**1,220**	970
Government allocations	14	**11,970**	**4,790**	**16,760**	12,047
Total		**73,417**	**7,011**	**80,428**	69,363
Expenditure on:					
Raising funds		**-**	**(333)**	**(333)**	(20)
Charitable activities	13	**(67,254)**	**-**	**(67,254)**	(59,370)
Other		**(4,555)**	**-**	**(4,555)**	(3,456)
Investments		**3,429**	**-**	**3,429**	206
Investment management cost	12	**(600)**	**-**	**(600)**	(453)
Total		**(68,980)**	**(333)**	**(69,313)**	(63,093)
Net income		**4,437**	**6,678**	**11,115**	6,270
Transfers between funds		**5,950**	**(5,950)**	-	-
Other recognized Gains					
Actuarial (losses) gains on defined benefit Pension Scheme		**125**	**-**	**125**	237
Net movement in funds		**10,512**	**728**	**11,240**	6,507
Reconciliation of funds					
Total funds brought forward		**56,747**	**2,653**	**59,400**	52,893
Total funds carried forward		**67,259**	**3,381**	**70,640**	59,400

The accompanying notes form an integral part of these financial statements

Statements of Cash Flows

	For the year ended 31 December,	
	2025	**2024**
	£ thousand	**£ thousand**
Net cash provided by operating activities (Appendix A)	**13,701**	8,538
Cash flows from investing activities:		
Purchase of plant and equipment	**(9,436)**	(5,883)
Investment in short-term bank deposits	**(2,584)**	(2,610)
Net cash used in investing activities	**(12,020)**	(8,493)
Cash flows from financing activities:		
Repayment of short-term bank credit	**(1,453)**	(696)
Receive of long-term loan	**1,399**	-
Repayment of long-term bank loan	**(643)**	(833)
Net cash used in financing activities	**(697)**	(1,529)
Increase (decrease) in cash at bank and in hand	**984**	(1,484)
Cash at bank and in hand at beginning of year	**1,278**	2,762
Cash at bank and in hand at end of year	**2,262**	1,278

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows (Cont'd)

	For the year ended 31 December, 2025	2024
	£ thousand	£ thousand
Appendix A **Reconciliation of changes in resources to net inflow from operating activities**		
Net incoming resources	**11,115**	6,270
Depreciation	**3,328**	2,794
Financing income, net	**(3,429)**	(206)
Increase in accounts receivable for medical services	**797**	(1,795)
Decrease in stock	**93**	34
Increase in suppliers and service providers	**884**	464
Increase in other current liabilities	**913**	977
Net cash flow from operating activities	**13,701**	8,538

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements as at 31 December, 2025

Note 1 - General

A.

(1) EMMS Nazareth (hereinafter "the Company" or "the Hospital") was incorporated in Scotland in November 2001 as a private company and without share capital. The Company is registered in Scotland as a charity company.

On 23 December 2001 the Company was registered in Israel as a foreign company. The Company commenced its activities in Israel on September 1, 2002.

(2) The Company was established for charitable purposed, mainly in health and education sector. The Company is engaged primarily in providing public medical services in Nazareth, Israel, and operates a nursing school and the pilgrimage tourism activities of the Nazareth Village.

(3) The Company is recognized under Section 46 of 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. The recognition is valid until December 31, 2026.

(4) Financial Position

The public health system in Israel is funded and overseen 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 funding sources for the services included in the health basket.
On May 2, 2022, the accounting regulations between public hospitals and HMOs were published for the years from 2021 through 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 HMO’s from 2021 through 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 distributed. As part of the regulations, hospitals are required, among other things, to periodic reporting requirements, to manage an operational budget without a deficit, and 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 chain of hospitals will be entitled shall not exceed 20% of the hospital's or the chains revenues from HMO for medical services. The regulations commenced in 2022.

In the year ended December 31, 2025, the Company incurred an increase in total funds of £11,240 thousand (2024: Increase of £6,507 thousand) and a cumulative deficit from operations of £19,463 thousand (December 31, 2024-£ 20,597 thousand). The Company ended the fiscal year 2025 with an increase in its' total funds and achieved a working capital surplus of £ 6,833 thousand as at 31 December, 2025 compared to a working capital surplus of £4,862 as at 31 December, 2024.
On May 13, 2026, the Company was recognized by the Ministry of Health as a financially stable hospital for the year 2026.

Note 1 - General (cont'd)

(5) Following the "Swords of Iron" war, which began on October 7, 2023, and the subsequent operations "Am Kalavi" ("Like a Lion") and "Shaagat HaAri" ("Roar of the Lion") during 2025 and 2026, there has been a decline in the level of economic activity in many regions across Israel. The hostilities have resulted, inter alia, in increases in the prices of certain goods and services, disruptions in supply chains, and loss of revenues across various sectors. As a result, Nazareth Village experienced a significant decline in revenues. Most of its employees were placed on unpaid leave, with only a minimal core workforce retained in order to preserve and maintain ongoing operations.

B. Business risks and environmental business area

(1) Over 70% of the revenues of The Hospital are derived from patient services, coming from HMOs. All of the HMOs in Israel have deficits. The manner of accounting between the Hospitals and the HMOs 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 HMOs 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 HMOs 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 HMOs between 2017 and 2019 with adjustments, including realistic and demographic adjustments. In addition, in accordance with the law aforementioned, all services purchased in public hospitals by the HMOs 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.

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.
Hospitalizations -	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 HMOs.
HMO-	Non-profit organizations which provide health care services as defined in the National Health Insurance Law (January 1995).

Note 1 - General (cont'd)

Global agreement -	The Arrangements Law permits the Hospital to agree on discounts for revenues from medical services with the HMOs 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.

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

As detailed in Note 1A (4) above, 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 majority of public hospitals and HMOs face recurring budget deficits. From 2017, privately owned public hospitals are eligible for government support according to support criteria published by the Ministry of Health and from 2022, all public hospitals are eligible for Government operational support. The Government support, along with actions implemented by management, enabled the hospital to maintain positive cash flows for 2025 and a positive cash forecast for 2026.

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

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.

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.

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

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.

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

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), 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.

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.

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

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
	Dollar	Euro	Pound Sterling	
	NIS	NIS	NIS	(in points)
As of 31 December				
2025	**3.190**	**3.746**	**4.290**	**117.83**
2024	3.647	3.796	4.574	114.79
	In %	**In %**	**In %**	**In %**
Rate of change				
2025	**(12.53)**	**(1.32)**	**(6.21)**	**2.65**
2024	0.55	(5.36)	(1.01)	3.24

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 and equipment	Machinery	Medical equipment	Fixed assets in Scotland	Total
	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand	£ thousand
Cost							
Balance as of 1 January, 2025	35,852	45,096	5,074	2,722	17,108	12	105,864
Additions	**-**	**6,143**	**691**	**958**	**1,644**	**-**	**9,436**
Foreign currency translation reserve	**2,376**	**2,989**	**336**	**181**	**1,134**	**-**	**7,016**
Balance at year end	**38,228**	**54,228**	**6,101**	**3,861**	**19,886**	**12**	**122,316**
Accumulated depreciation:							
Balance as of 1 January, 2025	-	16,400	4,321	2,061	11,675	12	34,469
Depreciation for the year	**-**	**1,587**	**353**	**150**	**1,238**	**-**	**3,328**
Foreign currency translation reserve	**-**	**1,087**	**286**	**137**	**774**	**-**	**2,284**
Balance at year end	**-**	**19,074**	**4.960**	**2,348**	**13,687**	**12**	**40,081**
Net book value as of 31 December, 2025	**38,228**	**35,154**	**1,141**	**1,513**	**6,199**	**-**	**82,235**
Net book value as of 31 December, 2024	35,852	28,696	753	661	5,433	-	71,395

(A) The land was transferred to the ownership of the Company by EMMS International during the year 2002 without consideration.

(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 Kawar 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, 2025	31 December, 2024
	£ thousand	£ thousand
Sick funds:		
Clalit Health Services	**5,293**	4,780
Maccabi Health Services	**1,622**	2,655
Leumit Health Services	**927**	905
Meuhedet Health Services	**2,855**	2,352
	10,697	10,692
Other receivables:		
Institutions	**435**	878
Checks receivable	**76**	138
Others	**1,828**	1,265
	2,339	2,281
	13,036	12,973

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 HMOs 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.

D. Cooperation agreements with the HMOs:

Under the Arrangements Law, the Hospital and the Health Maintenance Organizations (HMOs) are permitted to establish alternative settlement arrangements between them with respect to the purchase of services from the Hospital, provided that such arrangements comply with the conditions set forth in the said Law and are subject to review by the Minister of Health and the Minister of Finance.

The Hospital has entered into cooperation agreements with Clalit Health Services and Leumit Health Services through the end of 2025. Currently, negotiations are being conducted with these two HMOs for the renewal of the agreements for the coming years. During 2024, the Hospital renewed its agreements with the other two HMOs—Maccabi and Meuhedet most of which are valid through 2026 or until a new settlement law is enacted.

Note 5 - Cash at Bank and in Hand

	31 December, 2025	31 December, 2024
	£ thousand	£ thousand
Current bank accounts in NIS	**2,189**	1,229
In foreign currency	**37**	24
Petty cash	**36**	25
	2,262	1,278

Note 6 - Bank Loans

A. Long-term bank-loans

	Annual interest rate	31 December, 2025	31 December, 2024
	%	£ thousand	£ thousand
Long-term bank loans (B below)	5%-8.2%	**5,609**	4,552
Less current maturities		**(712)**	(583)
		4,897	3,969

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 to 12 years, bearing annual interest rates ranging between 8.25% to 5%. For a portion of the loans, a grace period was granted in which no principal repayments are made.

During 2023, a new loan was received from Mercantile Discount Bank in the amount of **£**2,164 thousand to be repaid in equal monthly installments over 15 years. The loan bears variable interest at the prime rate plus 2% (8.25% as of December 31, 2025). The Hospital provided the bank with a lien on 9 acre of its land.

In November 2025, a short-term loan was converted into a long-term loan, as part of which a loan in the amount of **£**1,400 thousand was obtained from a banking corporation.

C. Balances classified by maturity date

	31 December, 2025
	£ thousand
2026	**712**
2027	**450**
2028 - onward	**4,447**
	5,609

Note 7 - Other Current Liabilities

	31 December, 2025	31 December, 2024
	£ thousand	£ thousand
Wages and related expenses	**4,352**	3,820
Accrued vacation pay	**4,835**	3,941
Current maturities of actuarial obligation for medical malpractice	**1,166**	1,094
Other	**169**	157
	10,522	9,012

Note 8 - Provision for Claims Due to Medical Malpractice

Composition:

	31 December, 2025	31 December, 2024
	£ thousand	£ thousand
Opening balance	**13,520**	12,680
Amounts paid	**(1,505)**	(1,030)
Provision for the year	**1,505**	1,030
Balance at year end (1)	**13,520**	12,680
Less -		
Current maturities presented in other current liabilities	**(1,166)**	(1,094)
	12,354	11,586

Note 8 - Provision for Claims Due to Medical Malpractice (Cont'd)

(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 2003-2025. The total provision for claims due to medical malpractice amounts to £13.05 million, and the reinsurance as of December 31, 2025 totals £370 thousand.

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
2018-2024	8/2018-7/2024	$500,000 deductible per claim	AON
2024-2025	08/2024-07/2025	$500,000deductible per claim and a deductible of $ 615,000 per claim for obstetrics	AON
2025-2026	08/2025-07/2026	$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, 2025 is estimated at £ 1.166 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,	
	2025	**2024**
	£ thousand	**£ thousand**
Liability for severance pay (B)	**684**	785
Liability for pension pay (E)	**501**	524
Less general severance fund	**(8)**	(7)
	1,177	1,302

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. The Hospital has committed to Bank Mercantile Discount that the increase in its salary expenses will not exceed a certain percentage of the increase in its revenues. As of the date of the financial statements, the Hospital is in compliance with this commitment.

C. See note 1A(4), regarding the terms derived from the receipt of governmental support.

E. The Company signed the following contracts:

1. RA lease contract with Dushik Ltd according to which the Company 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 positions 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.

Note 10 - Commitments and Contingent Liabilities (Cont'd)

The consideration is based on services provided and number of beds as detailed in the agreement. The hospital had received the psychiatric ward in 2022, transferred its existing ward on the hospital grounds and began operating it in the rented area in 2023. This unit will include the increase in dialysis activity at the hospital in a certain geographic area defined by the parties as well as from the inpatient wards at the Golden Care Doshi Rehabilitation Nursing Hospital. The Company has the option to cease the lease contract by a written notice 6 months in advance.

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 time

F. Retroactive Property Tax Assessment

In October 2024, the Hospital received a request to amend a current and retroactive property tax assessment from the City of Nazareth for the years 2018-2024, whereby the hospital was required to pay an amount of approximately **£**5.075 million. On March 19, 2025, the hospital filed a petition with the Nazareth District Court requesting the cancellation of the amended assessment.
Following negotiations regarding the revised retroactive and future municipal property tax charges, a settlement agreement was signed between the hospital and the municipality on December 31, 2025. See also Note 13.

Note 11 - Incoming Resources from Charitable Activities

Composition:

	For the year ended 31 December,	
	2025	**2024**
	£ thousand	**£ thousand**
Hospitalization	**24,350**	**22,452**
Differential activities	**27,007**	**25,375**
Emergency room	**11,128**	**10,472**
Ambulatory services	**9,960**	**9,202**
Total revenues from medical services at full rates	**72,445**	**67,501**
Discounts as per agreements	**(24,445)**	**(24,370)**
Total revenues from medical services (*)	**48,000**	**43,131**
Maternity grants	**9,490**	**8,155**
Medical services to others	**1,392**	**1,463**
Community services	**130**	**86**
	11,012	**9,704**
Nursing school tuition income	**671**	**539**
	59,683	**53,374**

(*) Total revenues from HMOs include income not subject to the capping system of approximately £ 14,944 thousand, mainly for dialysis sessions, orthopedic clinics and tuberculosis center activity.

Note 12 - Investment Management Costs

Composition:

	For the year ended 31 December,	
	2025	**2024**
	£ thousand	**£ thousand**
Financing income from banks	**(165)**	(147)
Financing expenses on credit and loans	**534**	527
Non-bank financial expenses, net	**161**	26
Foreign currency translation reserve	**70**	47
	600	453

Note 13 - Charitable Activities

Composition:

	For the year ended 31 December,	
	2025	**2024**
	£ thousand	**£ thousand**
Salaries and related expenses - physicians	**16,676**	15,069
Salaries and related expenses - nurses	**16,106**	14,470
Salaries and related expenses - paramedical	**4,046**	3,548
Salaries and related expenses - administration and housekeeping	**2,581**	2,231
Salaries and related expenses - other	**1,318**	1,092
Professional liability insurance and losses	**2,356**	1,537
Purchase of services	**525**	468
Medications	**1,306**	1,207
Disposable medical equipment	**6,646**	6,323
Food and other costs	**2,253**	2,047
Depreciation	**3,165**	2,794
	56,978	50,786
<u>Household and maintenance expenses</u>:		
Salaries and related expenses	**4,136**	3,627
Materials consumption	**975**	653
Electric, water, fuel and gas	**959**	818
Municipality taxes	**253**	-
Cleaning and security	**2,002**	1,805
Real estate rental and maintenance	**1,951**	1,681
	10,276	8,584
	67,254	59,370

Note 14 - Government Grants

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

Composition:

	For year ended 31 December	
	2025	2024
	£ thousand	£ thousand
Operation	**8,258**	6,756
National incentive	**3,712**	3,012
Construction and Equipment	**4,790**	2,279
	16,760	12,047

Note 15 - Transactions with related parties

Officers' remuneration – The total remuneration of officers for 2025 and 2024 was **£** 1,123 thousand and **£** 784 thousand, respectively.