



World ORT

Consolidated Report and Financial Statements

Year ended 31 December 2017

Contents

Page:

3	Report of the Trustees
9	Report of Statutory Auditor
11	Consolidated Statement of Comprehensive Activities
12	Consolidated Statement of Financial Position
13	Consolidated Cash Flow Statement
14	Consolidated Statement of changes in Charitable Funds
15	Notes to the Financial Statements

Company secretary and registered office

Garry Hirth, 1, Rue De Varembe, CH-1211 Genève 20, Switzerland.

Administration Address

126 Albert Street, London, NW1 7NE, United Kingdom.

Auditor Ernst & Young, 59 Route de Chancy, P.O. Box 48, CH-1213 Petit Lancy 1, Switzerland.

Banker UBS AG, case Postale 2770, CH-1211 Genève 2, Switzerland.

Solicitor Professeur François Bellanger, 8-10 Ruse de Hesse, CP-5715, 1211 Genève 11, Switzerland.

The Trustees of World ORT present their annual report for the year ended 31 December 2017. Trustees with specific functions are termed "officers".

Officers	to 22 May 2017	from 23 May 2017
Non-Executive		
President	Dr. Conrad Giles	Dr. Conrad Giles
Deputy President	Richard Bernstein	Richard Bernstein
Chairman of the Board of Trustees	Dario Werthein	Dario Werthein
Treasurer	Peter Klauber	Peter Klauber
Secretary	Judy Menikoff	Judy Menikoff
Executive		
Director General	to 30 June 2017	from 01 September 2017
Chief Financial Officer and Company Secretary	Shmuel Sisso	Avi Ganon
	Stephen West	Garry Hirth
Other		
Chair of the Audit and Risk Committee	to 22 May 2017	from 23 May 2017
	Martin Behr	Emil Kalo
Chair of the Finance Committee	to 03 July 2017	from 04 July 2017
	Graham Edwards	Peter Klauber

The responsibility for the financial statements lies with the Board of Trustees.

Trustees' responsibilities

The Trustees of World ORT are responsible for the preparation of the Financial statements for each financial year which give a true and fair view of the organisation's income and expenditure during the year and of its state of affairs at the end of the year. In preparing these Financial statements they are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures being disclosed and explained in the financial statements;
- prepare the Financial statements on the going concern basis unless it is inappropriate to assume that the organisation will continue in business.

The responsibilities of the Trustees include keeping proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the organisation. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other breaches of law and regulations.

Status of World ORT group

World ORT is a not-for-profit organisation registered with the Registry of Commerce in Geneva and whose registered address is:

1 Rue de Varembe, CH-1211 Genève 20, Switzerland.

Mission and objectives

The mission of World ORT, a non-profit, non-political organisation is to work for the advancement of Jewish people through training and education; to provide communities, wherever they are, with the skills and knowledge necessary to cope with the complexities and uncertainties of their environment; to foster economic self-sufficiency, mobility and a sense of identity through the use of state-of-the-art technology.

World ORT's Programme

Important to the success of World ORT is the role of affiliated organisations in fundraising or implementing programmes. Affiliates are autonomous national organisations forming part of the worldwide ORT network and using the 'ORT' name. This network operates exclusively for educational purposes.

Fundraising is performed by World ORT and by the affiliate national organisations in various countries. Fundraisers have a catalogue of World ORT projects to show potential donors. Their success depends on a number of factors including the economic environment and donor's life cycle.

Projects are not commenced until funding has been secured and project activity can be cyclical. World ORT has managed to smooth these effects by entering into partnerships with national and local governments where possible.

Each relationship with a government body is defined by the relevant contract and accounted for accordingly.

Activities of 2017

The Ecology Summer School was run for the second time in Panama in February with 28 students from 7 countries. During this 13-day programme, ORT students from Latin America spent their time conducting research and doing field projects on ecology and biology.

World ORT Media Technology summer school was run in Sofia, Bulgaria, in July with 27 students from 7 countries.

ORT Davidson summer school at the Weizmann Institute in Israel was run in August with 20 students in attendance from 9 countries.

A successor to the Wingate Seminar, LEAD training for teachers was run in London in November, focusing on leadership training for middle and senior management in Jewish schools with 22 participants from 13 countries.

The 14th World ORT Hatter Seminar took place in April 2017 with the subject of "New Directions in Math Education". 20 participants attended from 11 countries.

World ORT Awards

In 2017, two competitions were held for students across the ORT Network. The first was for the Gina and Joseph Harmatz Award for Social Responsibility, with more than 25 applications submitted project proposals aimed at making the world a better place. The second competition was for the STEM Communication Award. The competition received more than 70 video submissions from students explaining a complex STEM issue.

World ORT continues to run and develop web projects such as:

- a. Music in the Holocaust
- b. And the production of a Russian Jewish Encyclopaedia

World ORT also started to work and develop new networking initiatives and programmes including across the ORT Alumni Network.

Project Implementation in operational countries

World ORT and ORTs in the countries of the former Soviet Union (FSU) continue to run ongoing operations across 17 Jewish schools, training centres for adults and Research, Development & Education. In 2017, a 4-year STEM campaign was successfully launched in 16 Jewish schools in the network. In addition to that ORT continues to run extra-curricular activities such as Shabbatons and networking projects and competitions.

World ORT in Europe

- a. A new Jewish school joined the ORT Network in Madrid called the Colegio Estrella Toledano,
- b. In Bulgaria, a new Design and Technology laboratory, known as "the Lego lab" was built and installed in the school at the beginning of 2017.
- c. In the Czech Republic, ORT continues to develop science and technology programmes at the Lauder school in Prague.

The Heftsiba programme which sends teachers from Israel to schools in FSU and Baltic States for an academic year, continued in 2017. This programme is sponsored by the Israel Ministry of the Diaspora.

World ORT's operations in Israel:

World ORT Kadima Mada ("WOKM") "Educating for Life" Educational Network

WOKM is working with the Israeli government and local municipalities throughout the country to improve standards in schools through programs coordinated by educational specialists based at World ORT in Israel and with the backing, support and experience of World ORT specialists worldwide.

Kfar Hasidim, Hodayot, Abir Yaakov and Kfar Silver serve as a "last stop" for some of the most disadvantaged youth in Israel who, without special intervention, are at risk of failing academically and socially. Both Kfar Hasidim and Hodayot high schools have been affiliated with WOKM since 2007 and have seen significant improvements in educational achievement during that time as a result of their affiliation. WOKM has helped these schools to implement various pedagogical initiatives and has provided them with new and innovative educational equipment, cutting-edge pedagogical programs and state-of-the-art science and technology laboratories.

Levinson High School and Rabin High School in Kiryat Yam are now beginning to benefit from a raft of new innovations in pedagogy and new investment to ensure that students, many of whom are from deprived backgrounds, have an equal and even a better chance to reach their full potential.

World ORT YOUiversity Centres of Excellence

Providing the opportunity to succeed for students in under-served communities in Israel. The World ORT YOUiversity Centres of Excellence in Israel enable underprivileged children to gain access to after-school educational enrichment opportunities in STEM subjects never before available in their communities. The Centres of Excellence serve students in Israel's geographic and socio-economic peripheries listed below

- Kiryat Gat, Dimona and Beer Sheva in the south.
- Nahariya, Nazareth, Kiryat Yam and Safed in the north.
- Jerusalem, serving Haredi (strictly Orthodox) youth
- East Jerusalem, serving the city's Arab population.

The centres offer junior and senior high school students hands-on educational experiences through project-based learning using the most up-to-date innovative educational tools and methodologies. Examples of courses and activities offered at the World ORT YOUiversity Centres of Excellence include those in architecture, robotics, CSI forensics, entrepreneurship, fashion design, electronics, website building, digital media, 3D design and printing, photography & videography and veterinary

medicine. Other clubs and programmes available include those to develop young computer technicians, chess club, young engineers, astronomy & space club, young doctors, and more. More than 5,000 students have benefitted from the classes and activities offered at the seven YOUniversity Centres of Excellence this academic year.

Kfar Silver

Following its acquisition of Kfar Silver in 2016, World ORT continues to improve the real estate and operations of Kfar Silver Youth Village in Southern Israel.

Risk Management

The trustees examine the major risks that the charity faces each financial year when preparing and updating the strategic plan.

The financial risks faced by World ORT are (1) Interest rate risk, (2) Liquidity risk, (3) Equity market risk, (4) Foreign currency risk.

Operational risks are identified as (1) the reliance on a small number of country organisations for a large proportion of the voluntary income, (2) project management, (3) the defined benefit pension scheme.

1. The risk of World ORT having a concentration of only a few fundraising countries or organisations. This risk is managed as follows:
 - 1.1. World ORT has direct access to certain major donors in agreement with their local country organisations.
 - 1.2. Encouraging donor country organisations to diversify their fundraising base from major individuals and family trusts to many individual small donors.
 - 1.3. Helping the operational countries to raise funds. In the first instance they attract funds from government and municipalities. Secondly, they receive parental contributions. Thirdly, they are seek third-party donations including those from major donors. This last approach has not been as successful in countries where there is not yet a culture of giving.
2. Project management risks mainly consist of (1) the deliverable benefit not being properly defined and agreed by all parties, (2) projects starting before adequate funding is secured, (3) exceeding budgeted expenditure and (4) delays to the delivery of projects and benefits. World ORT manages these risks using procedures, plans and reviews.
 - 2.1. In the case of major donors or third party organisations, the tangible or intangible object to be delivered is agreed at the outset either through a project proposal document or a formal agreement.
 - 2.2. Projects are not started until there is certainty as to the source of funds. The Director General and the Chief Finance Officer authorise the project to start by signing a project initiation document.
 - 2.3. The finance system is designed around project management. Reports are available by project to show progress in funding, expenditure, the current project balance and the timeline to completion.
 - 2.4. Project managers turn the initial project plan into purchase orders which are then authorised by their manager.
 - 2.5. Project managers regularly review their data in the financial planning system and then any revised project timeline is authorised by their manager.
 - 2.6. Where agreed with the donors or third-party organisations, a report is submitted to them confirming that the project has been delivered and to the recipient's satisfaction.
3. The defined benefit pension scheme has a deficit of \$857,000 as set out in note 18. The actuaries have advised the trustees of a recovery plan which has been put into effect. This commits World ORT to additional payments to the pension fund of just over \$100,000 each year.
 - 3.1 The trustees closed the scheme to new members in 1999. It had three active members at the end of 2017. The next expected retirement is in 2018. The last member is due to retire in 2028.

- 3.2 The trustees explored the option to fix the liability with a third party by immediately paying of the deficit plus an additional sum to cover future risk. However, the trustees believe it is more cost-effective to manage the risk internally.
- 3.3 The trustees appointed a professional trustee in early 2014 with the remit to identify scheme risk and recommend ways to minimise it. Further considerations of the scheme risk are in note 18.
4. The risk of not letting space in ORT House is managed by:
 - 4.1. Maintaining the building to a commercially attractive standard.
 - 4.2. A large space is occupied with a conferencing activity which has a diverse set of clients in the public and charity sectors.
 - 4.3. Dividing the rest of the excess space into smaller units to achieve a diversity of tenants.

<u>Rental and licence fee revenue</u>	<u>Number of tenants and one licensed activity</u>		
	<u>Actual 2017</u>	<u>Plan 2018</u>	<u>Plan 2019</u>
under \$50,000 per annum	10	10	10
Over \$100,000 per annum	2	2	2
Total number of tenants and one licensed activity	12	12	12

Investment Policy

The trustees have unlimited powers of investment. The trustees delegate this responsibility to the investment committee who meet approximately three times per annum.

Details of the financial assets can be found in note 11.

In summary, the investment policy has three main strands:

1. Ownership of freehold land and an office building, ORT House in London, which hosts the administrative staff.
ORT House comprises most of the value of the fixed assets. Some offices in the property are let to tenants all of whom are non-commercial organisations.
The revenue from the letting activity in 2017 was \$376,000 (2016: \$401,000). The property's running costs in the year were \$573,000 (2016: \$479,000).
2. Investment in State of Israel bonds. About half of the investment in bonds is on behalf of a long-term project in Israel.
3. Placement of funds which are not required in the day-to-day running of World ORT in the hands of an investment manager of international standing. The investment committee gives the investment manager the overall asset allocation which is regularly reviewed.

Revenue for the year

Total revenue for the year was USD 83.0 million, (2016: USD 64.2 million).

Restricted project revenue for the year was USD 78.6 million (2016: USD 57.1 million).

Results for the year

There was a total net deficit for the year of USD 3.5 million, (2016 deficit of USD 0.3 million) before any adjustment for losses on pensions benefits.

Unrestricted funds showed a net deficit for the year of USD 3.4 million, (2016 deficit of USD: 0.1 million) partially resulting from exceptional one off costs of \$800k incurred in the year.

Restricted funds showed a net deficit for the year of USD 33k, (2016 deficit of USD: 0.6 million) due to timing differences of project revenue to expenditure.

Property and fixed assets

Movements on fixed assets are set out in note 10 to the financial statements. The trustees are of the opinion that the market value of freehold land and buildings is at least equal to the value shown in these financial statements.

Review of financial transactions

Gains on investments, including re-invested income, were USD 1.1m compared with a gain on investments of USD 0.2m in 2016.

The financial statements, together with explanatory notes on pages 11 to 32, summarise the transactions of the organisation during the year ended 31 December 2017.

Signed in terms of the Constitution of World ORT by:



Avi Ganon
Director General



Peter Klauber
Chair, Finance Committee

To the Board of Trustees of
World ORT, Geneva

Lancy, 8 October 2018

Statutory auditor's report on the audit of the consolidated financial statements



Opinion

We have audited the consolidated financial statements of World ORT and its subsidiaries (the Group), which comprise the consolidated statements of comprehensive activities, consolidated statement of financial position, consolidated cash flow statement and consolidated statement of changes in Charitable Funds and notes on pages 11 to 32 for the year ended 31 December 2017.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.



Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other information in the annual report

The Board of Trustees is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibility of the Board of Trustees for the consolidated financial statements

The Board of Trustees is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Trustees determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Trustees is responsible for assessing the Group'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 the Board of Trustees either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: <http://www.expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Trustees.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd



Alfred Widmann
(Qualified
Signature)

Licensed audit expert
(Auditor in charge)



Didier Lequin
(Qualified
Signature)

Licensed audit expert

	Note	2017 Unrestricted funds US\$'000	2017 Restricted funds US\$'000	2017 Total US\$'000	2016 Total US\$'000
Revenue					
Donations and grants	3a	3,902	77,781	81,683	63,282
Property	3b	376	-	376	401
Meetings and other revenue		155	834	989	492
Total revenue		4,433	78,615	83,048	64,175
Expenditure					
Direct project and charitable expenditure:					
Grants and project costs		1,819	77,997	79,816	59,587
Delivery costs		3,019	-	3,019	1,905
Property costs	3b	479	229	708	479
Other direct costs		600	-	600	746
Total		5,917	78,226	84,143	62,717
Other expenditure:					
Fundraising		1,499	-	1,499	962
Management and administration		1,494	506	2,000	1,056
Total	4	2,993	506	3,499	2,018
Total expenditure		8,910	78,732	87,642	64,735
Surplus/(deficit) before financial items		(4,477)	(117)	(4,594)	(560)
Financial income					
Interest earned		2	4	6	4
Interest paid		-	-	-	(17)
Investment income		21	26	47	46
Gains/(losses) on investments, realised and unrealised		1,015	54	1,069	196
Total		1,038	84	1,122	229
Surplus/(deficit) for the year		(3,439)	(33)	(3,472)	(331)
Other recognised gains and losses					
Actuarial (loss)/gain on defined benefit pension scheme		86	-	86	(292)
Net movement in funds		(3,353)	(33)	(3,386)	(623)

The notes on pages 15 to 32 form part of these Financial Statements

	Note	2017 US\$'000	2016 US\$'000
Assets			
Non-current assets			
Property, fixtures and equipment	10	5,890	5,953
Financial assets	11	12,413	11,453
		<u>18,303</u>	<u>17,406</u>
Current assets			
Inventories		184	166
Accounts receivables	12	3,196	6,590
Cash and cash equivalents	13	8,824	9,624
		<u>12,204</u>	<u>16,380</u>
TOTAL ASSETS		<u>30,507</u>	<u>33,786</u>
Charitable funds and liabilities			
Charitable funds			
Restricted funds			
Restricted endowment funds		1,901	1,848
Restricted project funds		16,660	16,746
		<u>18,561</u>	<u>18,594</u>
Unrestricted funds			
General reserves		1,233	4,586
Total Charitable funds		<u>19,794</u>	<u>23,180</u>
Non-current liabilities			
Interest-bearing loans and borrowings	16	150	247
Net employee defined benefit liabilities	18	857	641
		<u>1,007</u>	<u>888</u>
Current liabilities			
Accounts payable	14	9,634	9,517
Interest-bearing loans and borrowings	16	72	201
		<u>9,706</u>	<u>9,718</u>
Total liabilities		<u>10,713</u>	<u>10,606</u>
Total charitable funds and liabilities		<u>30,507</u>	<u>33,786</u>

The notes on pages 15 to 32 form part of these Financial Statements

	Note	2017 US\$'000	2016 US\$'000
Cash flows from operating activities			
Net deficit before financial items		(4,594)	(560)
Adjustments to reconcile deficit to net cash used in operating activities:			
Adjustments to the profit or loss items:			
Depreciation and impairment of property and equipment	10	374	171
Adjust for pension actuarial gain/(loss)loss thru reserves		86	(292)
Other movement		-	1
		<u>(4,134)</u>	<u>(120)</u>
Changes in asset and liability items			
(Increase)/decrease in accounts receivables		3,394	(2,420)
(Increase)/Decrease in inventories		(18)	27
Increase in trade and other payables		117	728
Increase/(Decrease) in defined benefit liability		216	(66)
		<u>3,709</u>	<u>(1,731)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	10	(312)	(197)
Acquisition of cash with Kfar Silver ownership		-	142
Interest received		6	4
Interest paid		-	(17)
Investment income		47	46
Investment added additions during the year	11	-	(815)
Investment capital returned withdrawal of capital	11	110	928
		<u>(149)</u>	<u>91</u>
Cash flows from financing activities			
Payment on borrowings		(226)	(15)
Net increase/(decrease) in cash and cash equivalents		<u>(800)</u>	<u>(2,335)</u>
Cash and cash equivalents at 1 January		9,624	11,959
Cash and cash equivalents at 31 December		<u>8,824</u>	<u>9,624</u>

The notes on pages 15 to 32 form part of these Financial Statements

Consolidated statement of changes in charitable funds
For the year ended 31st December 2017

World ORT

	Restricted funds		Unrestricted funds	Total funds
	Endowment US\$'000	Projects US\$'000	General Reserves US\$'000	US\$'000
At 1 January 2016	2,624	16,159	5,020	23,803
Surplus / (Deficit) for the year 2016	39	(228)	(142)	(331)
Grant from restricted endowment fund	(815)	815	-	-
Pension actuarial gain	-	-	(292)	(292)
At 31 December 2016	1,848	16,746	4,586	23,180
Surplus/(deficit) for the year 2017	163	(196)	(3,439)	(3,472)
Grant from restricted endowment fund	(110)	110	-	-
Pension actuarial loss/Gain	-	-	86	86
At 31 December 2017	1,901	16,660	1,233	19,794

*An explanation of the pension actuarial (loss)/gain is set out in note 18.
An explanation of the Charitable Funds is set out in note 19.*

1 Authorisation of financial statements and statement of compliance with IFRSs

The consolidated financial statements of World ORT for the year ended 31 December 2017 were authorised for issue by the trustees of World ORT on / /2018. The consolidated financial statements of World ORT have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2 Accounting policies

a. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The accounting policies that follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The consolidated financial statements have been prepared in US Dollars as this is the functional and presentational currency of the World ORT group. All values have been rounded to the nearest thousand (US\$'000) except when otherwise indicated.

Judgements and key sources of estimation and uncertainty

The preparation of financial statements requires the trustees to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying World ORT's accounting policies, the trustees have made the following judgements, assumptions and estimations which have the most significant effect on the amounts recognised in the financial statements.

• **Non-financial assets**

World ORT assesses whether there are any indicators of impairment for all non-financial assets at each reporting date.

When value in use calculations are undertaken trustees must estimate future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to reflect the present value of those cash flows.

The current carrying value of non-financial assets of \$5.9 million (2016: \$6.0 million) is not considered impaired.

• **Defined benefit pension scheme**

The valuation of the scheme assets and liabilities is subject to assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

World ORT retains the services of qualified actuaries to advise the trustees when making these assumptions and the current applied assumptions are in line with prevailing market benchmarks.

• **Fair value of financial instruments**

State of Israel bonds are valued at their nominal value as they will be held to maturity. Other financial assets are held in a portfolio. World ORT retains a fund manager to manage the portfolio and submit a period-end valuation. The liquid nature of the portfolio's assets leads the manager to apply their market value at the financial position date (also see notes 2i and 2j).

2 Accounting policies (continued)

b. Jurisdictions

World ORT and its subsidiaries are registered in Switzerland, United States of America, Israel and the United Kingdom and are therefore subject to tax law in these jurisdictions respectively. As each entity is exempt from paying tax, no IAS 12 disclosures have to be made.

c. Basis of consolidation

The consolidated financial statements of World ORT for the year ended 31 December 2017 include five subsidiary undertakings, consolidated in full, as follows:

Subsidiaries	Country	Status
World ORT Inc.	United States of America	Wholly owned
World ORT Trust	United Kingdom	Wholly owned
Kfar Silver Youth Village	Israel	Wholly owned
World ORT Kadima Mada	Israel	Effective control *
Sasa Setton Kav Or	Israel	Effective control *

*World ORT owns 49% of World ORT Kadima Mada. The remaining 51% of the shares are held in trusteeship equally by seven independent, unrelated shareholders. The shares were transferred to the trustees on 4 May 2012. World ORT considers that it has effective control with this share structure and benefits from an independent oversight. World ORT has input and oversight on the appointment of World ORT Kadima Mada senior staff. The World ORT Kadima Mada budgets are approved by World ORT.

There is no minority interest in World ORT Kadima Mada as there are no permanent assets and no free reserves. The ownership represented by the shares is non-beneficial.

World ORT Kadima Mada owns 49% of Sasa Setton Kav Or. The remaining 51% of the shares are held in trusteeship equally by seven independent, unrelated shareholders. The shares were transferred to the trustees on 1 July 2014. World ORT Kadima Mada considers that it has effective control with this share structure and benefits from an independent oversight. The Sasa Setton Kav Or senior staff are appointed by World ORT Kadima Mada. The Sasa Setton Kav Or budgets are controlled and approved by World ORT Kadima Mada.

The consolidated financial statements contain revenue and expenses of schools in the former Soviet Union and Baltic States. These are schools for which World ORT has effective control by appointing the school principal and providing additional funds.

All inter-entity transactions, including unrealised gains and losses, have been eliminated. The financial statements of the subsidiaries are prepared for the same reporting period as World ORT, using consistent accounting policies.

World ORT provides support to subsidiaries as follows:

World ORT Inc:	provision of funding and liquidity support.
World ORT Trust:	provision of liquidity support.
Kfar Silver Youth Village:	provision of funding and liquidity support.

d. Foreign currency translation

The functional and presentation currency of the World ORT group is the US Dollar. It is the functional currency because most income is due in US Dollars and, in turn, the group matches as much of its commitments as possible in that currency.

World ORT Kadima Mada and Sasa Setton Kav Or have the functional currency of the Israel Shekel because all of its commitments and charitable funds are in that currency.

World ORT Trust has the functional currency of the US Dollar because the majority of its commitments and all of its charitable funds are in that currency.

2 Accounting policies (continued)

Transactions in non-dollar currencies are initially recorded in the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the financial position date. Fixed assets are translated at the rate of the initial transaction.

Exchange differences are recognised in profit or loss in the period in which they arise.

e. Revenue

- Revenue, including donations, is recognised in the period in which World ORT is entitled to receipt and where the revenue can be reliably measured.
- Revenue from government bodies is recognised either according to contracts or where World ORT exercises control of the school.
- Unrestricted funds are available for use at the trustees' discretion in furtherance of the objectives of World ORT.
- Restricted funds are subject to specific restrictions imposed by the donor.
- Gifts in kind are included in restricted income at their fair value when received.
- International Co-operation projects are included in restricted funds and are accounted for under the same policies.
- Property income and other revenue is recognised on the accruals basis.

f. Provisions

Provisions are recognised when World ORT or a subsidiary has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

g. Property, fixtures and equipment

Property, fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life. The rates applied are as follows:

Freehold buildings:	2% per annum on cost
Building improvements:	20% per annum on cost
Fixtures and equipment:	20% per annum on cost
Computer equipment:	33.33% per annum on cost

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their estimated recoverable amounts.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

Expenditure on fixed assets to be used on projects is charged to project costs in profit or loss in the period in which it is incurred.

h. Leases

Leases as lessor

Property lease revenue is recognised in profit or loss as receipts fall due according to the contracts with the tenants.

2 Accounting policies (continued)

Leases as lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term.

i. Financial assets: initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through the profit and loss account, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

State of Israel bonds are held-to-maturity investments. The other financial assets are held-for-trading subject to the overall asset-allocation policy set by the World ORT investment committee to the fund manager.

j. Financial assets at fair value through the profit and loss account

Financial assets are initially recognised at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the profit and loss account. All financial assets at fair value through the profit and loss account are traded in active markets and so subsequent measurement of fair value of these financial assets is determined with reference to the quoted market bid price at the close of business on the financial position date.

Any gains or losses are included with gains or loss on investments in the profit and loss account.

The types of financial assets held by the Group are listed in note 11.

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Their carrying values equate to fair value by reason of their short term nature.

l. Receivables

Receivables, which have terms according to their individual contracts, are recognised and carried at the lower of their original invoice amount and their recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

m. Accounts payable

Accounts payable are recognised and carried at the original invoiced amount or, in the case of accruals, the anticipated amount to be invoiced. Where the time value of money is material, payables are carried at amortised cost.

n. Pensions and other post-employment benefits

A subsidiary undertaking operates a defined benefit pension scheme and a defined contribution scheme. Both schemes require contributions to be made to separately administered funds.

The defined benefit plan was established on 14 February 1974 and was closed to new members with effect from 1 November 1999. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

2 Accounting policies (continued)

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. World ORT recognises the following changes in the net defined benefit obligation under Other Expenditure in consolidated statement of comprehensive activities:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income
- The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. The value of any plan asset recognised is restricted to the sum of any past service costs not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.
- The net defined benefit employee liability at 31 December 2017 is \$619,000 (2016: \$641,000). Further details, including the principal assumptions agreed with the actuary, are given in note 18.
- The defined contribution scheme was started from 1 April 2001 and is open to all employees who have been in employment for at least three months. The assets of the scheme are held separately from those of World ORT. Contributions are charged to the statement of comprehensive activities as they become payable in accordance with the scheme rules. Differences between contributions payable in the year and the contributions actually paid are shown as either prepayments or accruals in the financial position.

o. Fund accounting

Endowment funds are set aside for future purposes and form part of the restricted funds.

p. Reserves

World ORT endeavour to maintain general funds to an amount equalling at least one year's expenditure excluding direct project expenditure. The trustees have established this policy in order to protect the organisation's charitable programme in the event of a reduction in World ORT's revenue or an unexpected need for additional expenditure.

q. Project funds

Project funds are monies received from donors and partners in advance of the financial needs of the project (see note 19). Fundraising for projects is performed up to the value of the plan set out in the project proposal.

Occasionally the circumstances of a project change so that the funds received are in excess of the revised needs of the project. In these cases the policy is to offer the donor(s) an alternative project to make use of their funds.

r. De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where the rights to receive cash flows from the asset have expired; or the rights to receive cash flows from the asset have been transferred together with substantially all the risks and rewards of the asset, or where control of the asset has been transferred.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2 Accounting policies (continued)

s. Derivative financial instruments

World ORT may use, from time-to-time, derivative financial instruments in the form of foreign currency contracts to hedge its risks associated with foreign currency fluctuations as stated in note 17.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value and classified at fair value through profit and loss.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Unrealised gains and losses are booked directly in profit or loss as the conditions for hedge accounting have not been met.

The fair value of forward exchange contracts is calculated by using the forward exchange rates at the financial position date for contracts with similar maturity profiles. During year 2017 no derivative financial instruments were used (2016: none).

t. New and amended standards and interpretations

New and amended standards and interpretations issued but not yet effective

In 2017, the Group adopted the following new or amended standards and interpretations for the first time:

- Annual Improvements 2014–2016 Cycle (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 7 Disclosure (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The adoption of these new or amended standards and interpretations did not have a material impact on the consolidated financial position or performance of the Group.

Standards issued but not yet effective

The standards and interpretations that have been issued or amended, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt the following standards, interpretations and amendments when they become effective, to the extent they are relevant to the Group.

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its

2 Accounting policies (continued)

Associate or Joint Venture (effective date to be determined by the IASB).

- Amendments to IFRS 9: Prepayments Features with Negative Compensation (effective for annual periods on or after 1 January 2019)

With the exception of IFRS 16 Leases, for which the impact is still being assessed, the adoption of these issued or amended standards and interpretations is not expected to have a material impact on the consolidated financial position or performance of the Group.

	2017 US\$'000	2016 US\$'000
3a Donations and grants		
Donations restricted to specific projects	77,785	57,007
International Co-operation grants	(4)	135
	<u>77,781</u>	<u>57,142</u>
Unrestricted donations	3,902	6,140
	<u>81,683</u>	<u>63,282</u>
Included within donations restricted to specific projects are grants received from governments, institutions, and municipal authorities which are used to meet direct educational costs of the projects.		
3b Property	2017 US\$'000	2016 US\$'000
Rents and tenant recharges	376	401
Property costs	(479)	(479)
	<u>(103)</u>	<u>(78)</u>
Property costs relating to restricted activities	229	-
	<u>229</u>	<u>-</u>
4 Other Expenditure (Fundraising and Administration)	2017 US\$'000	2016 US\$'000
Personnel	2,145	1,769
less: projects' contribution	(736)	(848)
Personnel costs (net)	<u>1,409</u>	<u>921</u>
Defined contribution pension - benefits expense	309	325
Defined benefit pension - contributions less other adjustments	-	3
Defined benefit pension - service costs and interest	-	38
Defined benefit pension - currency exchange gains on balances	-	(127)
Office	287	79
Travel and meetings	252	230
Premises and insurance	94	148
Operating lease rentals	51	25
Audit and accountancy fees	195	103
Consultancy fees	746	-
Legal fees	(385)	21
Other professional fees	260	122
Depreciation	10	2
Currency exchange losses	271	128
	<u>3,499</u>	<u>2,018</u>

Included within Other Expenditure are \$506k (2016 - \$394k) of costs relating to restricted activities

5 Employee benefit expenses by activity

	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
5a Salaries	2017	36,483	6,455	75	1,385	351	44,749
		-	(86)	-	(773)	(16)	(875)
Net salary cost 2017		36,483	6,369	75	612	335	43,874
Salaries less: projects' contribution	2016	19,373	1,275	95	1,194	452	22,389
		-	-	-	(830)	(18)	(848)
Net salary cost 2016		19,373	1,275	95	364	434	21,541
	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
5b Social security costs	2017	706	149	6	94	35	990
	2016	692	153	8	81	42	976
	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
5c Pension costs	2017		44	12	107	122	285
	2016	(110)	49	12	189	177	317

The cost of the defined benefit pension scheme is included in administration costs.

6 Employees by activity

	Year	Projects FTE	Delivery FTE	Property FTE	Fund- raising FTE	Admin- istration FTE	Total FTE
Average full-time equivalent employees	2017	814	70	3	9	4	900
	2016	1,077	69	3	9	7	1,165

7 Depreciation, leasing and foreign exchange differences included in the consolidated statement of

	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
7a Buildings and equipment expenditure overseas not capitalised	2017	764	51	-	-	-	815
	2016	142	-	-	-	-	142

	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
7b Depreciation	2017	229	106	29	1	-	365
	2016	68	55	46	1	1	171

	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
7c Leases	2017	96	427	-	-	31	554
	2016	236	297	-	2	23	558

	Year	Projects US\$'000	Delivery US\$'000	Property US\$'000	Fund- raising US\$'000	Admin- istration US\$'000	Total US\$'000
7d Foreign exchange differences (net)	2017	261	-	(6)	1	(2)	254
	2016	145	(44)	(24)	2	126	205

	2017 US\$'000	2016 US\$'000		
8 Net deficit before financial items				
This is stated after charging:				
Depreciation of owned fixed assets	374	171		
Proceeds from sale of property, fixtures & equipment	-	-		
Operating lease expenses:				
Buildings	309	344		
Cars and equipment	245	214		
Auditor's remuneration - audit fees	401	116		
Audit fees others	362	-		
9 Key personnel compensation				
Key management personnel are those people having authority and responsibility for planning, directing and controlling the activities of World ORT, directly or indirectly.	2017 US\$'000	2016 US\$'000		
Short term employment benefits	655	578		
Other long term pension costs	94	109		
	<u>749</u>	<u>687</u>		
10 Property, fixtures and equipment				
	Freehold land and buildings	Building improve- ments	Fixtures, equipment & computers	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2017	4,939	39	1,555	6,533
Additions	-	-	312	312
Disposals	-	-	-	-
At 31 December 2017	<u>4,939</u>	<u>39</u>	<u>1,867</u>	<u>6,845</u>
Depreciation				
At 1 January 2017	122	39	419	580
Charge for year	35	-	339	374
Disposals	-	-	-	-
At 31 December 2017	<u>157</u>	<u>39</u>	<u>758</u>	<u>954</u>
Net book value				
At 31 December 2017	<u>4,782</u>	<u>-</u>	<u>1,108</u>	<u>5,890</u>
At 31 December 2016	<u>4,817</u>	<u>-</u>	<u>1,136</u>	<u>5,953</u>

11 Financial assets at fair value through the Statement of Comprehensive Activities

	2017	2016
	US\$'000	US\$'000
Net gain/(losses) on revaluation	665	230
Realised (losses)/gains on sales	350	45
Currency exchange differences	54	(80)
Gains on investments, realised and unrealised	1,069	195
Fair value at 1 January	11,453	11,371
Additions during the year (mainly Israeli bonds re-invested)		815
Withdrawal of capital (mainly Israeli bonds maturing)	(109)	(928)
Value at 31 December	12,413	11,453

Financial assets which are held comprise the following:

	2017	2016
	US\$'000	US\$'000
Cash deposits & SHORT Term	328	135
State of Israel bonds	1,565	1,565
Fixed income	3,280	3,102
Equities	4,425	3,780
Alternative assets -	1,409	1,332
Foreign Exchange	(11)	20
Miscellaneous	1,417	1,519
	12,413	11,453

Financial assets maturity profile	Within	Within	After	2017	2016
	2017	2018	2018	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Investment portfolio	10,847	-	-	10,848	9,888
State of Israel bonds	-	415	1,150	1,565	1,565
Fair value at 31 December	10,847	415	1,150	12,413	11,453

The carrying value and fair value of financial assets are liabilities are the same. All held financial assets are valued using quoted prices in the active markets.

12 Accounts receivable	2017 US\$'000	2016 US\$'000
Revenue accrued	(40)	3,434
Trade receivables	2,802	984
Due from affiliated ORT organisations	92	672
Prepayments	185	1,250
Other debtors	156	250
	<u>3,196</u>	<u>6,590</u>
Accrued income is denominated in the following currencies:	2017 US\$'000	2016 US\$'000
US Dollar	66	-
Israel shekel	(105)	3,434
	<u>(40)</u>	<u>3,434</u>
Trade receivables are denominated in the following currencies:	2017 US\$'000	2016 US\$'000
US Dollar	2,130	312
Israel shekel	453	453
Sterling	219	219
	<u>2,802</u>	<u>984</u>

The US Dollar and Sterling accrued income and trade receivables are non-interest bearing. There is no significant concentration of risk. The Sterling trade receivables balance consists mainly of rent due by tenants occupying space excess to World ORT's requirements. The rent is due with 7 days. The credit quality of the tenant is established in advance of the tenancy agreement.

The accrued income and trade receivables denominated in the Israel Shekel are non-interest bearing advances for projects and are due within 120 days. The other parties are mainly Israel government ministries whose credit quality is well established.

Maturity profile

The table below summarises the maturity profile of World ORT's accounts receivable at 31 December 2017 and 2016 based on contractual undiscounted receipts.

Year ended 31 December 2017	Neither past due nor	Less than 3 months	3 to 12 months	More than 12 months	Total 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued income	(40)	-	-	-	(40)
Trade receivables	801	200	1,801	-	2,802
Due from affiliated ORT organisations	92	-	-	-	92
Prepayments	185	-	-	-	185
Other debtors	156	-	-	-	156
Year ended 31 December 2016	Neither past due nor	Less than 3 months	3 to 12 months	More than 12 months	Total 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued income	3,434	-	-	-	3,434
Trade receivables	940	44	-	-	984
Due from affiliated ORT organisations	172	-	500	-	672
Prepayments	1,250	-	-	-	1,250
Other debtors	250	-	-	-	250

Amounts due from affiliated ORT organisations are non-interest bearing and are due within 30 to 180 days.

12	Accounts receivable (continued)	2017	2016
		US\$'000	US\$'000
	Due from affiliated ORT organisations are denominated in the following currencies:		
	Swiss Franc	-	500
	Sterling	69	127
	US Dollar	23	45
	Euro	-	-
		92	672
13	Cash and cash equivalents	2017	2016
		US\$'000	US\$'000
	Cash at bank and in hand	7,852	6,913
	Short term deposits	972	2,711
		8,824	9,624
	Denominated in the following currencies:	2017	2016
		US\$'000	US\$'000
	US Dollar	3,190	5,307
	British Pound	323	371
	Israel Shekel	5,159	3,775
	Euro	38	112
	Russian Rouble	87	40
	Swiss Franc	12	10
	Ukraine Hryvna	15	9
		8,824	9,624
	Held at the following locations:	2017	2016
		US\$'000	US\$'000
	Management and administrative bank accounts	3,272	5,671
	Project bank accounts	5,552	3,953
		8,824	9,624

Cash at bank earns interest at floating rates based on daily deposit rates. Short term deposits are made for varying periods of between one day and three months depending on World ORT's immediate cash requirements.

World ORT only deposits cash surpluses with major banks of high quality credit standing.

14	Accounts payable	2017	2016
		US\$'000	US\$'000
	Payables	4,393	3,081
	Other creditors	2,944	2,613
	Taxation and social security	673	596
	Accruals	1,575	2,090
	Due to affiliated ORT organisations	49	1,137
		9,634	9,517

15 Leasing - obligations

Leases with World ORT as lessor

Annual amounts due under non-cancellable occupancy leases with tenants are as follows:

Tenant leases which expire: within one year
in two to five years

Buildings	
2017	2016
US\$'000	US\$'000
128	116
-	147
128	263

Leases with World ORT as lessee

Annual amounts due under non-cancellable operating leases are as follows:

Operating leases which expire: within one year
in two to five years

Buildings		Equipment	
2017	2016	2017	2016
US\$'000	US\$'000	US\$'000	US\$'000
4	84	6	42
8	12	-	6
12	96	6	48

16 Interest-bearing loans and borrowings

Bank overdraft
Bank loan - repayable within one year
Bank borrowings repayable within one year
Bank loan - repayable by 2021

2017	2016
US\$'000	US\$'000
-	136
72	65
72	201
150	247
222	448

The bank loan supports the activities of Kfar Silver Youth Village. World ORT incurred the liability for the borrowings when it acquired the property, equipment and operations of the Kfar Silver Youth Village during 2016

17 Financial instruments

Financial risk management objectives and policies

World ORT's principal financial instruments, other than derivatives, comprise cash, short-term deposits, bonds and equity investments. The main purpose of these financial instruments is to preserve value between the time funds were raised and their use in World ORT's operations. World ORT also has various other financial instruments such as accounts receivable and accounts payable which arise directly from its operations.

World ORT use derivative financial instruments in the form of foreign currency contracts but these do not form a hedge as defined by the International Accounting Standards Board.

Fair values

The fair value of financial assets through the profit and loss is determined with reference to quoted (adjusted) prices in active markets for identical assets, and so World ORT does not use a fair value hierarchy in disclosing the fair value of these financial instruments

The main risks arising from World ORT's financial instruments are interest rate risk, equity market risk and foreign currency risk.

17 Financial instruments (continued)

Interest rate risk

World ORT's exposure to market risk for changes in interest rates relates primarily to the money it keeps as cash, short-term deposits and bonds. It is World ORT's policy not to enter into derivative financial instruments for this risk.

The bond and fixed income funds investments are principally exposed to fair value interest rate risk as they mainly have a fixed interest rate and are held to maturity. Cash and other short term deposit investments are exposed to cash flow interest rate risk as they have a floating rate of interest. The equity investments are not directly exposed to interest rate risk.

The bond and fixed income funds investments are principally exposed to fair value interest rate risk as they mainly have a fixed interest rate and are held to maturity. Cash and other short term deposit investments are exposed to cash flow interest rate risk as they have a floating rate of interest. The equity investments are not directly exposed to interest rate risk.

The currencies predominantly held by World ORT are the US Dollar, Israel Shekel and the British Pound (see note 13). Therefore the significant sensitivity to interest rate changes are to changes in the interest rates for those currencies.

Change in interest rate by		Effect on loss for the year	
		2017 US\$'000	2016 US\$'000
Change in USD interest rates	1%	42	65
Change in ILS interest rates	1%	45	35
Change in GBP interest rates	1%	3	5

N.B. An increase in interest rates improves the World ORT financial result.

Liquidity risk

Liquidity risk largely consists of supplier contracts for projects, mainly equipping schools. No contracts for the supply of equipment for a project are signed until the funds for that project are in place. World ORT management send explicit authority to local managers to start a project and enter into contracts for it.

Equity market risk

World ORT has exposure to market risk for changes in equity values when investing its endowment and other funds. World ORT seeks to manage this risk by appointing an Investment committee. This committee has in turn appointed professional fund managers to manage the funds in a diversified, actively managed portfolio. The Investment committee has given the fund managers a broad guideline of how the portfolio should be allocated. The Investment committee meets with the fund managers three times a year to review the allocation policy and the performance of the portfolio.

Foreign currency risk

As a result of the global nature of its operations, World ORT can be significantly affected by the movements between the revenue currencies relative to the local currencies of the projects. This is managed mainly by stating the spending budget of a project in the currency of the source of the funds. Where this is not possible the Investment committee will recommend whether to hedge the risk. The forward currency contract must be in the same currency as the hedged item. It is World ORT's policy not to enter into forward contracts until a firm commitment is in place.

The sensitivity to reasonably possible changes in the Israel Shekel and British Pound exchange rate with all other variables held constant, of World ORT's statement of comprehensive activities is demonstrated below.

	Change in exchange rate to US Dollar	Effect on loss for the year		Effect on funds	
		2017	2016	2017	2016
		US\$'000	US\$'000	US\$'000	US\$'000
Israel Shekel	5%	(15)	(1)	265	189
	-5%	17	1	(265)	(189)
British Pounds	5%	46	27	(16)	(19)
	-5%	(51)	(29)	16	19

Forward currency exchange contracts

At 31 December 2017, there were no forward currency exchange contracts (at 31 December 2016 - none).

Credit risk

World ORT manages credit risk mainly through the Investment committee. This committee meets several times per year.

The Investment committee reviews the credit risk with banks and financial institutions. The committee ensures reserves are in a diversified portfolio of institutions in an appropriate range of currencies each with adequate resources to ensure the stability of their financial market.

The Finance committee reviews the credit risk with non-financial counterparties such as affiliates. The trustees of World ORT Trust review the credit risk of tenants. Where they perceive any impairment in counterparty ability to pay then they ensure adequate provision has been made.

It is the opinion of these committees that there is no significant concentration of credit risk within World ORT. The maximum credit risk exposure relating to financial assets is represented by the carrying value at the financial position date.

18 Employee post-employment benefits

World ORT has a subsidiary which operates the following pension plans:

The Defined Contribution Pension scheme

The assets of the defined contribution pension scheme are held separately from those of World ORT in an independently administered fund. World ORT contributes up to 11% (mainly 5%). The cost to World ORT of contributions to the scheme was \$259,000 (2016: \$324,000).

Unpaid contributions at the end of the year were NIL (2016: NIL)

Employee benefits - The Defined Benefit Pension plan

This scheme is known as the ORT Retirement Benefit Plan (ORBP) which is based in Great Britain and The plan closed to new entrants in 1999. The plan has an independent professional trustee.

Periodically, the trustee reviews the level of funding in the ORBP as required by UK pension law. Such a review includes the asset-liability matching strategy and investment risk management policy. The board of trustees adjusts its contribution based on the results of the triennial actuarial review.

Since the pension liability is adjusted to consumer price index, the pension plan is exposed to UK's inflation, interest rate risks and changes in the life expectancy for pensioners. As the plan assets include significant investments in corporate bonds and quoted equity shares of entities, World ORT is also exposed to market risk arising in the corporate bonds and equity sectors.

A full actuarial valuation was carried out at 1 January 2016. A calculation was done to 31 December 2017 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

World ORT currently pays contributions at the rate of 47.1% of pensionable pay (2016: 38.8%). Contributory members pay their employee contributions at the rate of 7% of pensionable salary. The employer makes a special payment for the contributions of the non-contributory members at the same rate.

In 2017, World ORT made an added contribution of \$118,000.

Membership of the defined benefit pension plan

	2017	2016
Active members at 31 December	3	3
Preserved and deferred members at 31 December	20	27

Of the active members, the average time to the plan's normal retirement age of 65 is 4.5 years with the youngest having 11.5 years to serve.

Based on the existing schedule of contributions, World ORT expects to contribute US\$103,000 plus 47.1% of total pensionable salaries to The ORT Retirement Benefit Plan in the next accounting year.

The projected amounts recognised in the Consolidated Statement of Comprehensive Activities are:

	2017 US\$'000	2018 US\$'000
Current service cost	(24)	(24)
Interest expense (on present value of obligation)	(54)	(49)
Interest income (on fair value of plan assets)	39	36
Past service cost	-	-
Pension cost charges to Consolidated Statement of Comprehensive Activities	<u>(39)</u>	<u>(37)</u>

The expected duration of the plan is 11.5 years (2016: 12.5 years),

Notes to the Financial Statements
For the year ended 31st December 2017

World ORT

18 Employee benefits - The Defined Benefit Pension plan (continued)
2017 changes in the defined benefit obligation and the fair value of plan assets

	Pension cost charge to Activities			Re-measurement losses included in Other Comprehensive Income			Contributions			
	1 Jan 2017	Current service cost (including cost curtailments)	Past service cost	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	sub-total included in OCI	by employer	by plan participants	31 Dec 2017
Defined benefit obligation	(2,786)	(195)	-	(25)	53	(87)	91	-	(5)	(3,001)
Fair value of plan assets	1,955	-	-	(15)	-	-	(5)	132	5	2,145
Benefit liability	(852)	-	-	(40)	53	(87)	86	132	0	(857)

Breakdown	Pension cost charge to Activities			Re-measurement losses included in Other Comprehensive Income			Contributions			
	1 Jan 2017	Current service cost (including cost curtailments)	Past service cost	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	sub-total included in OCI	by employer	by plan participants	31 Dec 2017
Defined benefit obligation Trust	(2,058)	(24)	-	-	53	(82)	91	-	(5)	(2,114)
Fair value of plan assets Trust	1,417	-	-	(5)	-	-	(5)	36	5	1,495
Benefit liability Trust	(641)	-	-	(5)	53	(82)	86	36	0	(619)
Defined benefit obligation IFR	(710)	(142)	-	(25)	-	(25)	(142)	-	29	(888)
Fair value of plan assets IFR	488	-	-	(10)	-	-	-	114	-	650
Benefit liability IFR	(222)	-	-	(35)	-	(25)	(20)	114	-	(238)

19 Charitable funds

a. Restricted endowment funds

These funds are tied to particular purposes, which arise because of restrictions on their use required by the donors at the time of receipt. \$110,000 was released in the year.

b. Restricted project funds

Restricted project funds are advances by donors and Board allocations to fund specific projects or a collection of projects. The balance represents the unspent portion at the year-end. The advanced funds will be spent over the remaining lives of the projects; periods normally planned at up to four years. A restricted project is undertaken only when the planned funding requirement has been received or pledged.

20 Kfar Silver, Israel acquisition

In August 2016 World ORT acquired the Youth Village and farm at Kfar Silver, Israel from the Zionist Organisation of America (ZOA). There was no consideration paid to ZOA, World ORT acquired the assets and liabilities.

At the point of acquisition, Kfar Silver had fixed assets at an historic cost of US\$14 million, accumulated depreciation of US\$10 million and equity of US\$ 2 million. Under acquisition accounting rules, the accumulated depreciation and the equity were deducted from the historic cost value of the assets. This gave an acquisition fair value of fixed assets of US\$ 2.3 million.

As of the date of the approval of the financial statements, a final valuation for the fair value of the identifiable assets acquired and liabilities assumed by an external valuation specialist has not been obtained.

21 Related party disclosure

During the year certain trustees and senior managers donated \$231,828 (2016: \$251,299) to World ORT. The uses of these donations were specified by the donors.

As at 31st December 2017, World ORT was owed \$27,127 by a senior executive being the balance on a loan approved by the Board. This loan will be repaid in 2018.

22 Contingencies

In 2016, World ORT received unrestricted donations of CHF 0.9 million from a Swiss bank representing a distribution of unclaimed dormant accounts probably relating to victims of Nazi persecution. Under the terms of the donations, World ORT has agreed that if, within a period of 10 years, the bank should demand a return of all or part of this donation, then World ORT will comply. At the date of these financial statements, no such request has been received. This undertaking expires in December 2024.