

Breaking the Silence Ltd. (PBC)

Financial Reports

To December 31, 2011

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MERMER-BWEDER AND CO. – C.P.A. (Isr.)

Auditors' Report to the Shareholders

Of

Breaking the Silence Ltd. (PBC)

We have audited the enclosed balance sheets of **Breaking the Silence Ltd. (PBC)** (henceforth: the company) for the days December 31, 2011 and 2010 and its income and expenditure reports and its net changes in assets reports for each of the years that concluded on the aforementioned dates. These financial reports are the responsibility of the Board of Directors and the management of the company. Our responsibility is for our opinion on these reports, which is based upon our audit.

We carried out the audit according to accepted auditing standards, including the standards, which were set in the Accountants' Ordinance (Accountant's Way of Operation) – 1973. According to these standards we are required to plan and carry out the audit so as to ensure to a reasonable extent that the financial reports are not presented in a significantly erroneous way. A sample examination of the documents, which support the sums and information in the financial reports, is part of the auditing process. The audit also includes the evaluation of the accountancy rules employed and of the significant assessments that were made by the Board of Directors and the management of the company and assessment of the general propriety in the presentation of the financial reports. We are satisfied that our audit provides a proper basis for our opinion.

In our opinion, these financial reports reflect in a manner suitable to the accepted standards of accountancy, according to every significant evaluation, the financial state of the company for the days December 31, 2010 – 2011 and the results of its activities for each of the years, which concluded on those dates.

The following financial reports are presented in reported sums, according to the accountancy standards of the Israeli Institute for Accounting Standardisation.

Mermer Bweder and Co.

Bet Shemesh (Israel): April 22, 2012

Chartered Public Accountants

Mermer Bweder & Co.


Breaking the Silence Ltd. (PBC)

Balance Sheet
In New Israeli Shekels

| | | <u>For the Date December 31</u> | |
|-----------------------------------|-----------------------------|--|--------------------|
| | <u>Clarification</u> | <u>2011</u> | <u>2010</u> |
| <u>Current Assets</u> | | | |
| Cash at bank and in hand | | 560,006 | 322,905 |
| Bank Deposits | | 24,615 | 345,440 |
| Income Tax Prepayments | | -- | 17,357 |
| Reimbursement to be received | | -- | 5,278 |
| Prepaid expenses | | -- | 9,472 |
| | | <u>584,621</u> | <u>700,452</u> |
| | | | |
| <u>Long-Term Assets</u> | | <u>190,967</u> | <u>188,182</u> |
| | 2 | <u>775,588</u> | <u>888,634</u> |
| | | ===== | ===== |
| | | | |
| <u>Current Liabilities</u> | | | |
| Suppliers and service providers | | 35,668 | 67,277 |
| Post-Dated Cheques | | 22,207 | -- |
| Employees and Tax Liability | | 82,779 | 94,368 |
| Deferred Income | 1. (C) | 293,572 | 105,805 |
| Accounts Payable | | <u>11,000</u> | <u>10,000</u> |
| | | <u>445,226</u> | <u>277,450</u> |
| | | ----- | ----- |
| | | | |
| <u>Capital</u> | | | |
| Retained earnings - | | | |
| For activity | | 139,388 | 422,995 |
| For long-term assets | | 190,967 | 188,182 |
| Paid in Capital | 3 | <u>7</u> | <u>7</u> |
| | | <u>330,362</u> | <u>611,184</u> |
| | | ----- | ----- |
| | | <u>775,588</u> | <u>888,634</u> |
| | | ===== | ===== |

The attached clarifications are an integral part of the financial reports.

April 27 2012
Date



Michael Mankin
Board member



Assaf Sharon
Treasurer

Breaking the Silence Ltd. (PBC)

Income and Expenditure Report

In New Israeli Shekels

| | <u>Clarification</u> | <u>For the year which</u> <u>concluded</u> <u>On December 31</u> | |
|---|----------------------|---|--------------------|
| | | <u>2011</u> | <u>2010</u> |
| Income | | | |
| Donations | 4 | 3,013,024 | 3,625,002 |
| | | ----- | ----- |
| Expenditure | | | |
| Salary Expenses | | 1,144,715 | 1,253,866 |
| Tours and transportation | | 946,125 | 702,978 |
| Tours abroad | | 78,213 | 61,532 |
| Printing and Exhibitions | | 384,923 | 380,192 |
| Publications and distribution | | 144,731 | * 283,052 |
| Legal expenses | | 78,388 | 90,595 |
| Legal staff | | -- | 327,299 |
| Depreciation | | 45,666 | 45,869 |
| Other expenses | | 14,845 | 8,802 |
| | | <u>2,837,606</u> | <u>3,154,185</u> |
| | | ----- | ----- |
| Net income from activities | | 175,418 | 470,817 |
| Management and gen. expenditure | 5 | <u>438,433</u> | * <u>232,070</u> |
| Net income (expenditure) before financing | | (263,015) | 238,747 |
| Financing | | 22,267 | (14,145) |
| Capital Loss from stolen long term asset | | -- | 9,722 |
| Net Income (Expenditure) per annum | | <u>40,074</u> | <u>--</u> |
| | | (280,822) | 214,880 |

* Reclassified

Breaking the Silence Ltd. (PBC)

Net Changes in Assets Report

In New Israeli Shekels

| | <u>Retained Capital</u> | | <u>Paid-in Capital</u> | <u>Total</u> |
|---|-------------------------------------|---|-----------------------------------|-------------------------|
| | <u>Used for Activity</u> | <u>Used for Long-term assets</u> | | |
| Balance for January 1, 2010 | 277,614 | 118,683 | 7 | 396,304 |
| Net Income for the year | 214,880 | -- | -- | 214,880 |
| Retained capital that was used for purchasing long-term assets | (115,368) | 115,368 | -- | -- |
| Retained capital that was used for depreciation costs | <u>45,869</u> | <u>(45,869)</u> | <u>--</u> | <u>--</u> |
| Balance for December 31, 2010 | 422,995 | 188,182 | 7 | 611,184 |
| Net Expenditure for the year | (280,822) | -- | -- | (280,822) |
| Retained capital that was used for purchasing long-term assets | (48,451) | 48,451 | -- | -- |
| Retained capital that was used for depreciation costs | <u>45,666</u> | <u>(45,666)</u> | <u>--</u> | <u>--</u> |
| Balance for December 31, 2011 | <u>139,388</u> ===== | <u>190,967</u> ===== | <u>7</u> == | <u>300,362</u> ===== |

Breaking the Silence Ltd. (PBC)

Clarifications for the Financial Reports

In New Israeli Shekels

Clarification 1 – General

A. Breaking the Silence Ltd. (henceforth: the company) was established on July 8, 2004 and began its activities in July 2004.

B. The company's activity involves the documentation and publication of IDF soldiers' testimonies of their military actions for the purpose of struggling against and preventing human rights violations against civilian population. It is a non-profit company, and is classified by the tax authorities as a non-profit organisation.

C. Deferred income is for projects carried out in 2012.

Clarification 2 – Long-term assets

| | <u>Cost</u> | <u>Accumulated depreciation</u> | <u>For the date December 31</u> | |
|-------------------------|----------------|---------------------------------|--|--|
| | | | <u>2011</u> <u>Depreciated Cost</u> | <u>2010</u> <u>Depreciated Cost</u> |
| Motorcycle | 9,300 | 597 | 8,703 | ---- |
| Furniture and equipment | 188,170 | 110,504 | 77,666 | 94,813 |
| Website and database | <u>144,820</u> | <u>40,222</u> | <u>104,598</u> | <u>93,369</u> |
| | 342,290 | 151,323 | 190,967 | 188,182 |
| | ===== | ===== | ===== | ===== |

Clarification 3 – Paid-in Capital

| | <u>Registered</u> | <u>For the date December 31</u> | |
|--|-------------------|---|---|
| | | <u>2010</u> <u>Issued and redeemed</u> | <u>2009</u> <u>Issued and redeemed</u> |
| Regular shares with a nominal value of 1 NIS @ | 100 | 7 | 7 |
| | ===== | == | == |

Clarification 4 – Income from Donations

| | <u>For the date December 31</u> | |
|----------------------------------|---------------------------------|------------------|
| | <u>2011</u> | <u>2010</u> |
| Donations in New Israeli Shekels | 1,148,543 | 1,378,999 |
| Donations in foreign currency | <u>1,864,481</u> | <u>2,246,003</u> |
| | 3,013,024 | 3,625,002 |
| | ===== | ===== |

Breaking the Silence Ltd. (PBC)

Clarifications for the Financial Reports

In New Israeli Shekels

Clarification 5 – General and Management Expenditure

| | <u>For the date December 31</u> | |
|------------------------------|--|--------------------|
| | <u>2011</u> | <u>2010</u> |
| Salaries | 245,279 | -- |
| Professional services | 43,888 | 41,770 |
| Office supplies and mail | 36,957 | 24,944 |
| Transport and deliveries | 14,693 | 75,423 |
| Telephone and communications | 5,036 | 24,708 |
| Bank fees | 11,473 | 9,615 |
| Registration fees | 21,522 | 5,635 |
| Vehicle maintenance | 25,716 | 45,152 |
| Refreshments | 5,449 | 4,823 |
| Office rent | <u>28,420</u> | <u>--</u> |
| | 438,433 | 232,070 |

Clarification 6 – Donations greater than 20,000 NIS

NIS Donations

| | <u>NIS</u> |
|----------------------|-------------------|
| Oxfam GB | 25,000 |
| The New Israel Fund | 143,476 |
| Moriah Fund Inc. | 121,370 |
| Ford Israel Fund | 87,582 |
| Sparkplug Foundation | 36,262 |
| EU | 124,589 |
| The British Embassy | 105,178 |

Euro donations

| | <u>NIS</u> |
|-------------------|-------------------|
| AECID | 1,223,003 |
| CCFD | 22,268 |
| Die Schwelle Fund | 26,170 |
| Misereor | 245,713 |
| Sivmo | 49,009 |
| Broederlijk Delen | 258,605 |
| Stichting Niks | 24,449 |
| Trocaire Bol | 74,683 |

US Dollar Donations

| | |
|-------------------------|---------|
| Dan Church Aid | 241,061 |
| Foundation for ME Peace | 27,585 |

UK Sterling Donations

| | |
|----------------------|--------|
| Sigrid Rausing Trust | 24,209 |
|----------------------|--------|