

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

(An organization registered under the Societies Law, 1980)

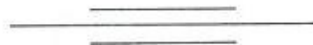
2005 ANNUAL REPORT

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
2005 ANNUAL REPORT

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS	2
FINANCIAL STATEMENTS:	
Balance sheets	3
Statements of activities and changes in deficiency	4
Notes to financial statements	5-8

The amounts are stated in new Israeli shekels (NIS).



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REPORT OF INDEPENDENT AUDITORS

To the members of

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

We have audited the balance sheets of Save a Child's Heart in memory of Dr. Ami Cohen (R.A.) (an organization registered under the Societies Law, 1980; hereafter - the Society) as of December 31, 2005 and 2004 and the statements of activities and changes in deficiency for each of the years ended on those dates. These financial statements are the responsibility of the council and management of the Society. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the council and management of the Society, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

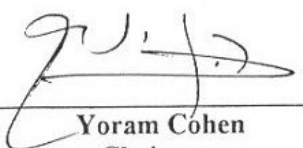
In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2005 and 2004 and the results of its activities and changes in its deficiency for each of the years ended on those dates, in conformity with accounting principles generally accepted in Israel - this on the basis of nominal values.

Tel-Aviv, Israel
September 14, 2006


Kesselman & Kesselman
Certified Public Accountants (Isr.)

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
BALANCE SHEETS

	Note	December 31	
		2005	2004
		NIS	NIS
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents		108,638	187,764
Accounts receivable		19,809	34,574
Total current assets		128,447	222,338
FIXED ASSETS:			
Cost	2	381,393	370,762
L e s s - accumulated depreciation		247,493	193,805
		133,900	176,957
		262,347	399,295
Liabilities, net of deficiency			
CURRENT LIABILITIES:			
Current maturities of long-term bank loan		24,994	23,448
Accounts payable and accruals:			
Wolfson Medical Center- Research and Development			
Fund - current account		1,014,151	392,770
Other		564,221	888,318
Total current liabilities		1,603,366	1,304,536
LONG-TERM LIABILITIES:			
Liability for employee rights upon			
Retirement	3	77,891	67,300
Bank loan (net of current maturities)	4		24,908
		77,891	92,208
Total liabilities		1,681,257	1,396,744
DEFICIENCY		(1,418,910)	(997,449)
		262,347	399,295



Yoram Cohen
 Chairman
 of the Board



Uri Kertes
 Treasurer and
 Member of the Board



Simon Fisher
 Executive
 Director

Date of approval of the financial statements: September 14, 2006

The accompanying notes are an integral part of the financial statements.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
STATEMENTS OF ACTIVITIES AND CHANGES IN DEFICIENCY

	<u>Note</u>	<u>Year ended</u> <u>December 31</u>	
		<u>2005</u>	<u>2004</u>
		<u>NIS</u>	<u>NIS</u>
OPERATIONS:			
Revenues from donations		<u>6,704,589</u>	<u>5,262,257</u>
COST OF OPERATIONS:			
Operating expenses	6	6,345,537	5,273,186
Publicity and public relations		133,391	128,199
		<u>6,478,928</u>	<u>5,401,385</u>
OPERATING INCOME (LOSS)		225,661	(139,128)
GENERAL AND ADMINISTRATIVE EXPENSES	7	593,694	562,934
INCOME (LOSS) BEFORE FINANCIAL EXPENSES - net		(368,033)	(702,062)
FINANCIAL INCOME (EXPENSES) – net		(53,428)	64,880
INCOME (LOSS) FOR THE YEAR		<u>(421,461)</u>	<u>(637,182)</u>
DEFICIENCY AT BEGINNING OF YEAR		(997,449)	(360,267)
INCOME (LOSS) FOR THE YEAR, as above		(421,461)	(637,182)
DEFICIENCY AT END OF YEAR		<u>(1,418,910)</u>	<u>(997,449)</u>

The accompanying notes are an integral part of the financial statements.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied on a consistent basis, are as follows:

a. General

Save A Child's Heart in memory of Dr. Ami Cohen (R.A.) (hereafter - the Society) was registered under the Societies Law, 1980, on August 18, 1998. The Society commenced operations on April 1, 1999. The Society, which operates at the Wolfson Medical Center in Holon, provides urgently needed pediatric cardiac surgery and follow-up care for children from third world and developing countries.

The Society also operates a hostel in Azor, leased and renovated in 2001, that serves as a recuperation center for children before and after surgery and houses doctors and nurses participating in the Society's training programs.

The Society received an approval from the Israeli Tax Commission of being a public institute in respect of donations according to article 46 of the Israeli Tax Ordinance.

b. Format of presentation of financial statements

The financial statements are drawn up in the format prescribed by Opinion 69 of the Institute of Certified Public Accountants in Israel (hereafter - the Israeli Institute), regarding accounting and reporting principles for not-for-profit organizations, which was published in March 1997, and by Standard No. 5 of the Israeli Accounting Standards Board (hereafter - the IASB), which was published in December 1999. These pronouncements require the adoption of the comprehensive approach whereby all assets, liabilities and net assets are included in a single balance sheet, as is the practice for businesses. Restrictions on use of various resources or lack of such restrictions are expressed only as distinctions between groups of net assets.

Under this approach, all changes in unrestricted net assets (revenues from donations, expenses and amounts released from restrictions that were transferred from restricted net assets to activities) are to be presented in a statement of operations.

c. Statements of cash flows

No statements of cash flows are presented in these financial statements, because they would not add any significant information to that already presented herein.

d. Basis of recording revenues and expenses

The expenses of the Society are recorded on the accrual basis. Revenues from donations are conservatively recorded on a cash basis at the time the money is received. As a result, occasionally, donations and funding of current activity are received and recorded in the financial year following the reported year. See also note 8.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
 NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

e. Effect of the changes in the general purchasing power of Israeli currency

The financial statements are drawn up on the basis of historical cost in nominal values, without taking into account the effect of the changes in the general purchasing power of Israeli currency on the results of operations. Information as to those changes - as allowed by Opinion 69, regarding not-for-profit organizations with a low level of turnover is not included in these financial statements.

f. Fixed assets:

- 1) These assets are stated at cost.
- 2) The assets are depreciated by the straight-line method on basis of their estimated useful life.

Annual rates of depreciation are as follows:

	%
Computers and peripheral equipment	33
Office furniture and equipment	10;15

Leasehold improvements are amortized by the straight-line method over the term of the lease or the estimated useful life of the improvements, whichever is the shorter.

g. Cash equivalents

The Society considers all highly liquid investments, which include short-term bank deposits (up to 3 months from date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

NOTE 2 - FIXED ASSETS

Composition of assets, and related accumulated depreciation grouped by major classifications:

	C o s t		Accumulated depreciation	
	December 31		December 31	
	2005	2004	2005	2004
	NIS	NIS	NIS	NIS
Computers and peripheral equipment	61,920	51,289	53,438	50,498
Office furniture and equipment	72,476	72,476	34,580	27,333
Leasehold improvements	129,016	129,016	122,654	96,850
Vehicles	117,981	117,981	36,821	19,124
	381,392	370,762	247,493	193,805

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 - EMPLOYEE RIGHTS UPON RETIREMENT

Labor laws and agreements require the Society to pay severance pay to employees dismissed or retiring from their employ under certain other circumstances.

The Society's severance pay liability to its employees, computed based on the number of years of service and the latest monthly pay, is covered primarily by purchase of insurance policy.

The amount of liability for severance pay presented in the balance sheets reflects that part of liability not covered by the insurance policies.

NOTE 4 - LONG-TERM LOAN FROM BANK:

a. Composed as follows:

	Interest rates at December 31, 2004	December 31	
	<u>%</u>	<u>2005</u>	<u>2004</u>
		<u>NIS</u>	<u>NIS</u>
From bank	Libor - 0.6	24,994	48,356
Less current maturities		24,994	23,448
		<u>-,-</u>	<u>24,908</u>

As to collateral to secure the loan, see note 5.

NOTE 5 - COLLATERALS

The Society registered one charge, limited up to NIS 70,000, on its car as security for the balance of its bank loan.

NOTE 6 - OPERATING EXPENSES:

	Year ended December 31	
	<u>2005</u>	<u>2004</u>
	<u>NIS</u>	<u>NIS</u>
Medical expenses	5,299,298	4,432,537
Payroll and related expenses	238,828	229,493
Flying patients and medical staff	161,455	203,398
Rent and maintenance fees	129,221	137,513
Doctors training	272,110	106,981
Food for patients	93,082	74,538
Transporting patients	55,111	51,712
Expenses associated with volunteers	42,160	32,805
Surveys and research	47,539	-,-
Other	6,733	4,209
	<u>6,345,537</u>	<u>5,273,186</u>

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31	
	2005	2004
	<u>NIS</u>	<u>NIS</u>
Payroll and related expenses	305,252	262,275
Rent, municipal taxes, telephone and electricity	92,836	107,476
Vehicle expenses	33,953	28,996
Travel and refreshments	29,548	25,963
Office supplies and printing	23,593	23,761
Legal and Audit fees	8,087	11,336
Bookkeeping	14,010	14,010
Depreciation	57,003	54,976
Other	29,412	34,141
	593,694	562,934

NOTE 8 - SUBSEQUENT EVENTS

On December 23, 2004, an agreement was signed between the Society and the European Union Commission for the funding of the Society's 2005 activities. As a result of this, a total of NIS 2,262,000 was received during 2005 and was recorded as revenues in 2005. Subsequent to balance sheet date, in May 2006, the sum of NIS 567,000 was received, this being the final payment in respect of the agreement to fund the Society's 2005 activities. As referred to in note 1(d) and in line with the Society's accounting policy, this income will be recognized in 2006.

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