



Fahn Kanne

Grant Thornton

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TRANSPARENCY REPORT 2016

Fahn Kanne & Co. Grant Thornton Israel (GT Israel)

For the year ended December 31, 2016

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TRANSPARENCY REPORT

About Fahn Kanne & Co. Grant Thornton Israel

On behalf of Fahn Kanne & Co. Grant Thornton Israel ("GT Israel"), a member firm of Grant Thornton International Ltd., we are pleased to present our first annual transparency report.

This transparency report refers to the fiscal year ended December 31, 2016.

GT Israel is one of the six leading accounting firms in Israel. While the firm's size affords it's ability to perform high quality services in a variety of fields, it is not too big and can therefore provide its clients with a personal and friendly touch.

The services rendered are based on an intimate and in-depth knowledge of the client's organization and business environment and on close supervision by a partner and a manager.

The firm employs approximately 300 professional staff, including 17 partners who, over the years, have amassed extensive experience in the fields of auditing, tax and management advisory services, in both the academic and the business worlds.

Our Distinguishing Features

GT Israel is distinguished by its global vision – empowered people providing bold leadership and distinctive client service worldwide.

- **Distinctive client service:** We deliver distinctive, consistent service worldwide. Through the Grant Thornton Client Experience, clients feel that they are being served by a cohesive global organization.
- **Bold leadership:** Through bold leadership in the profession, individually and collectively, our professionals will continue to be seen as leaders by the business world and our market. The views of Grant Thornton and our professionals are in demand, valued and influence change.

Empowered people: Grant Thornton personnel are empowered to accomplish their job responsibilities. Empowered people evolve from putting the right people in the right jobs — a fit that makes them able to deliver a service to our clients that is distinctly Grant Thornton.

We believe that our staff at GT Israel are dedicated to bringing together the highest level of professionalism. We strive to serve our public and private companies, financial institutions, government ministries, local authorities and municipalities and charitable organizations based on an intimate and in depth knowledge we have of our client's organization and their business environments.

This transparency report demonstrates our commitment to audit quality and the culture of integrity, professional excellence and accountability in our organization.

Legal Structure, Ownership and Governance

GT Israel is a partnership organized in Israel. It is wholly owned by the partners of the firm.

Our firm has an Administrative Committee which is comprised of 3 partners, as follows; two managing partners, and one audit partner. The Administrative Committee are responsible for managing and supervising the management of the business and affairs of the firm. In addition, there are monthly Partners' Meetings, which decides on partner admission and termination, approves changes to the partnership agreement, and appoints partners to the Administrative Committee on an annual basis.

Our firm is a member firm of Grant Thornton International Ltd ("GTIL"), a non-practicing, international umbrella entity. Services are delivered independently by the GTIL member firms. Each GTIL member firm is a separate national firm and governs itself and handles its administrative matters on a local basis. These firms are not members of one international partnership, nor is any one firm responsible for the services or activities of any other. Each member firm adopts GTIL policies, procedures and methodologies and also maintains a system of quality control in accordance with International Standards on Quality Control (ISQC) 1, at minimum. Each member firm executes a GTIL Member Firms Agreement and Name Use Agreement, which govern the relationship between the member firm and GTIL.

GTIL member firms are grouped into four geographic areas: Asia, America, Europe and the Middle East. The areas comprise of a number of regions, which consist of member firms or representative member firms in 130 countries. GT Israel is considered part of Europe.

Grant Thornton International Ltd.

Grant Thornton is one of the world's leading organizations of independent assurance, tax and advisory firms. These firms help dynamic organizations unlock their potential for growth by providing meaningful, forward looking advice. Proactive teams, led by approachable partners in these firms, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them to find solutions. More than 47,000 Grant Thornton people, across over 130 countries, are focused on making a difference to clients, colleagues and the communities in which we live and work

Internal Quality Control System

Ethics

Our independence team provides advice on ethical issues and concerns and enables the firm's partners and staff to obtain advice on sensitive, high-risk or complex issues on a confidential basis.

Grant Thornton's culture is built around CLEAR values:

Collaboration – ask for help, give help – we work together well

Leadership – have courage and inspire others – we challenge each other to be the best we can be

Excellence – find a better way every time – we never get complacent

Agility – think broadly, act quickly – we thrive in change

Respect – listen and understand, be forthright – we create honest relationships

Responsibility – use influence wisely – we own our actions

Audit Methodology

Grant Thornton's global audit methodology is called Horizon. Horizon is designed to provide audit teams with a clear and direct link between identified financial reporting risk, internal controls that address the risk and audit procedures. Horizon is Grant Thornton's means of complying with firm policies and professional standards, including the standards established by the International Auditing and Assurance Standards Board (IAASB).

The GTIL audit manual fully explains the Horizon methodology, including GTIL policies and guidance that all Grant Thornton professionals should follow. It also includes many areas where firms can customize or supplement designated paragraphs for domestic circumstances.

Voyager

Grant Thornton member firms apply the global audit methodology using the Voyager suite: an integrated set of proprietary software tools. Using Voyager, audit teams identify financial statement risks and link them to the processes and internal controls established to address those risks. This enables audit teams to tailor an audit response that is appropriate to the assessed risks. Voyager also assists audit teams in documenting, evaluating and testing internal controls.

Voyager Information System

The Voyager Information System (VIS) provides member firms with the ability to view information about their assurance clients contained in Voyager files; manage and monitor concurring review policies; control and monitor the archiving process for annual and interim periods; and assist with storing archived Voyager files.

"Tone-at-the-Top" Culture

Firm leadership reinforces the importance of compliance with audit, independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional values and culture of the firm. Procedures to communicate the importance of independence to partners, professional staff and support staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.

Human Resources

Our firm employees certified public accountants (Isr.), graduates holding BAs in accounting, lawyers, legal experts, holders of MBAs and other vocations.

At GT Israel, you will find a warm and family-like work environment, in which each employee is treated with the personal touch. You will be in a constant learning environment which will help you develop your professional capabilities. We provide a structured training framework, a unique work method and tools that will assist you in making long-range professional decisions.

Our firm provides professional training sessions throughout the year, in various forums and in a variety of fields. We make a serious investment in training our employees and in keeping them abreast of the latest professional developments, in conformity with our commitment to comply with high local and international standards and to render high quality service.

Our firm renders assurance services and accounting and business consulting services to public companies in Israel and abroad, private companies, governmental entities, non-profit organizations, etc.

As part of our ongoing auditing activity and additional projects in the fields of consulting and taxation, we make trips abroad to perform work at the clients' sites. GTIL, the international network of which we are the Israeli

member firm, encourages a close relationship among its member firms by seconding employees around the world. At our firm, social events are an integral part of our organizational culture.

Rotation

GT Israel complies with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA) for listed companies in Europe, as well as the U.S. Securities and Exchange Commission (SEC), where required. GT Israel supports audit partner rotation as it provides an additional and new perspective and promotes independence from company management while retaining expertise and knowledge of the business.

For audit clients that are public interest entities, key audit partners are required to rotate after seven years. In the case of SEC clients, key audit partners are required to rotate after five years. Key audit partners are not permitted to be a member of the engagement team or a key audit partner for the client for two years.

During the two year “time out” period, the individual may not:

- participate in the audit of the entity
- provide quality control for the engagement
- consult with the engagement team or the client regarding technical or industry specific issues, transactions, or events, or
- directly influence the outcome of the engagement

Quality Assurance Review

GTAR Inspection programme

As a GTIL member firm, GT Israel is required to undergo a periodic inspection under the Grant Thornton International Audit Review (GTAR) on a regular basis.

GTAR inspections evaluate policies and procedures of the member firm applicable to its assurance practice, benchmark those policies and procedures against relevant policies and procedures of the international organization, inspect financial statements and audit reports that have been issued, and involve interviews with partners and staff on various matters.

Member firms are expected to have their own systems of quality control that provide GTIL, other member firms and the member firm itself with reasonable assurance that its personnel comply with applicable professional standards and GTIL's policies and procedures. All member firms are affected by international quality and ethical expectations, and the GTAR programme enables member firms to be confident that they, and their fellow member firms, are working to match their assurance practice with the profession's evolving standards and with the quality and ethical values that clients of member firms traditionally associate with the Grant Thornton brand name. At a minimum, the firm's policies and procedures should address all matters included in the GTIL ethical and quality control policies as well as International Standards on Quality Control (ISQC) 1.

External Inspections

GT Israel's audit practice is subject to quality inspections by the Peer Review of the Institute of Certified Public Accountants in Israel. During the period covered by this Transparency Report, GT Israel was subject to the inspection of the Peer Review Institute. The Peer Review Institute report is not public.

GT Israel is a public accounting firm registered in the US with the PCAOB and in the UK with the FRC, and therefore is subject to inspections by these regulators. GT Israel is subject to an inspection by the PCAOB at least once every three years. During the period covered by this Transparency Report, GT Israel was subject to an inspection by the PCAOB, the findings of which are summarized below.

PCAOB (Public Company Accounting Oversight Board) Report of Inspection, June 2016

Further to the last quality assurance inspection carried out by the PCAOB of our firm during June 2016, their inspection did not identify any audit performance issues that, in the inspection team's view, resulted in the firm failing to obtain sufficient appropriate audit evidence to support an audit opinion or to fulfill the objectives of its role in other engagements.

The review also included assessing the firm's practices, policies and procedures concerning audit performance and other functional areas as follows: practices for partner evaluation, assignment of responsibilities, independence implications and practices for client acceptance and retention, business ventures, contingent fees, the firm's internal inspection programme, methodologies and work performed by foreign affiliates.

Public Interest Audit Clients

During the period covered by this Transparency Report, January 1, 2016 – December 31, 2016, our only UK registered client was suspended from trading on the London Stock Exchange. To the best of our knowledge, it is currently in the process of transferring to the AIM market. However, at the time of this report, this has not been substantiated.

Independence Procedures and Practices

GT Israel has adopted the Grant Thornton policies and related rules regarding independence and compliance. We strictly monitor compliance with regulatory, professional and GTIL independence requirements related to financial interest and, business and vendor relationships with clients.

Maintaining the independence of our firm, its audit teams and other professionals is critical to sustaining public confidence in the audit profession. We are committed to ensuring that our independence policies and procedures are robust and provide clients, other users of audit reports and the investment community with confidence that we are independent and objective.

International Independence Standards

As a member firm of GTIL, we are committed to achieving a high standard of ethical behaviour in everything we do. In order to ensure ethical conduct, including integrity and independence, Grant Thornton independence policies and procedures are based on the IESBA Code of Ethics. All member firms and their professionals are required to comply with IESBA Code of Ethics and Grant Thornton policy.

We are required to comply with all applicable independence and ethics requirements that meet or exceed those set out in the IESBA Code of Ethics and those required by other applicable regulatory bodies. In order to assist us in complying with applicable independence and ethics standards, Grant Thornton has included the independence and ethics guidance from various independence standards setters and regulators.

GTIL member firms are required to follow the IFAC Code of Ethics. In addition, as a member firm, we are also required to follow the independence requirements of the location we operate in, and those that may be required with respect to engagements that we perform. When the rules of more than one authoritative body apply, the most restrictive rules are applied.

Conflicts of Interest

Our firm's independence and objectivity in providing audit services is ensured through our business process to check that we do not enter situations with real or perceived conflicts of interest. These include our new client acceptance procedures, acceptance of non-audit assignments and entering into certain business or financial relationships with another entity.

The Global Relationship System (GRS) is a global web application that streamlines the International Relationship Check (IRC) process between member firms and provides insight into client and business relationships worldwide, supporting the identification of cross border business development opportunities.

Global Independence System

GTIL have in place an automated tracking system, the Global Independence System (GIS). This system automates much of the manual effort that would otherwise be required by member firms and personnel to monitor compliance.

GT Israel's partners, directors, and managers maintain an investment portfolio of all publicly traded securities held by themselves and their immediate family members including spouses, domestic partners, cohabitant or spousal equivalent, and dependents. The information recorded is limited to the identity of investments held and dates of acquisition/disposal. No information regarding the number of shares or any monetary value is included. Strict security safeguards are built into the GIS to ensure access to this information is limited to independence compliance personnel within our member firm.

Client Acceptance

Achieving professional excellence means accepting and retaining clients that share Grant Thornton's objectives of quality and integrity. Grant Thornton's global client acceptance/reacceptance procedures integrate with our firm policies. They provide us with information to judge whether the entity meets or exceeds necessary standards of integrity and whether we have the capacity to perform a high quality audit.

The Key Assurance Assignment (KAA) Acceptance and Reacceptance Policy is an important part of the acceptance and reacceptance process. Assignments are considered key when they have characteristics that meet specified criteria. This policy requires us to submit client engagements meeting the KAA criteria to an international review committee for consideration.

This committee is chaired by the executive director – quality control and is comprised of risk management/quality control partners from a diverse group of selected member firms.

Continuing Professional Education of Partners and Staff Eligible for Appointment as Statutory Auditors

To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise.

Training

Our firm conducts face-to-face professional training sessions throughout the year in accounting, auditing, taxation and legislation, in various forums and also other varieties of topics.

During 2016, the employees of the control groups were required to receive professional training in the following hours:

Employees doing their practical experience requirement for the Israeli CPA exam, during the fourth year of supplementary accounting studies – at least 15 hours per annum.

Employees doing their practical experience requirement for the CPA exam, after the fourth year of supplementary accounting studies – at least 25 hours per annum.

Employees after completing their practical experience requirement – at least 40 hours of training per annum and at least 120 hours over a three-year period.

Organization-Wide Seminars

During the year, seminars are held at which the employees are exposed to new information and information that has been updated since the previous seminar, in the fields of accounting, auditing and regulatory issues – approximately 8 – 12 hours (such seminars which are conducted by the firm's technical department are held in at least two rounds). This seminar is required for all employees of the firm. An auditing employee who misses a firm training session for whatever reason has to make it up at alternative sessions in accounting, auditing or independent study, with the make-up session documented and reported to the HR department in coordination with the technical department.

Training is also carried out by using the firm's Global Learning Center, in respect of which the technical department issues periodic updates. Any such self-study has to be done with the knowledge and approval of the partner in charge and it is recommended that the self-study be coordinated with the technical department (regarding content and number of hours).

Training for New Employees

All new employees are required to attend a new employee conference which is held at the beginning of each year, usually in the form of a three-day seminar. The conference includes training sessions on the following topics: a review of the areas of activity of the firm, organizational culture, including the connection with GTIL, the Voyager and Horizon approaches, ethical procedures and the firm's quality control, auditing and accounting standards, other Grant Thornton related issues, etc.

Training for Employees Handling International Clients

Employees that handle international clients (public corporations) must undergo the following training: independence requirements and ethics requirements in the relevant countries and rules and standards that apply to public corporations in the countries in which the client operates.

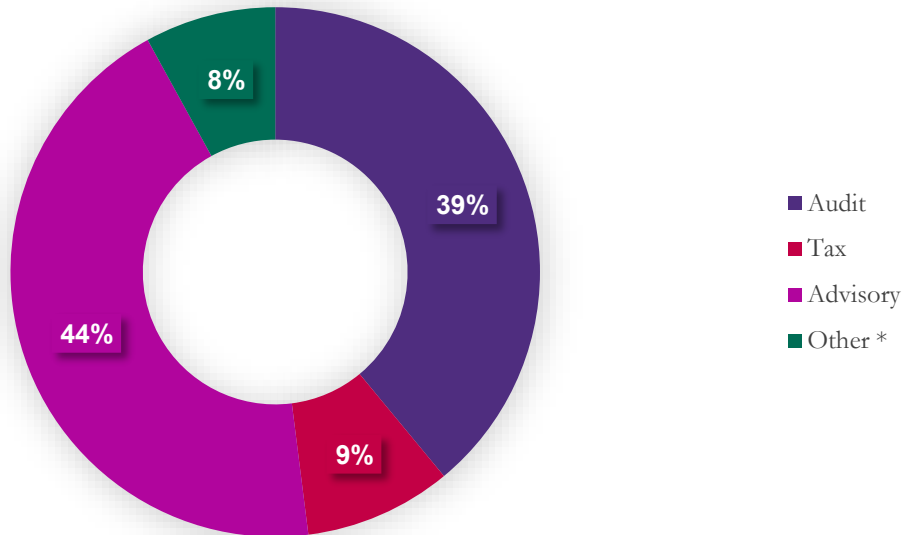
Employees who handle U.S. audit clients – are required to take additional study sessions on US GAAP and related issues, as well as publications and guidelines of the PCAOB and SEC. In addition, senior employees handling SEC clients have to undergo qualification-related requirements and rotation. In order to comply with the requirements regarding staffing of partners and senior employees on audit teams of clients who are subject to the SEC, all audit staff members of SEC clients have to complete, in computerized format through the Global Learning Center self-study training that includes basic courses on SEC-related topics.

Training for employees handling clients in unique industries

Employees handling unique industries such as: Not-for-profit (third sector, institutional entities, government companies, etc.), have to undergo special training for the industry to which they provide services.

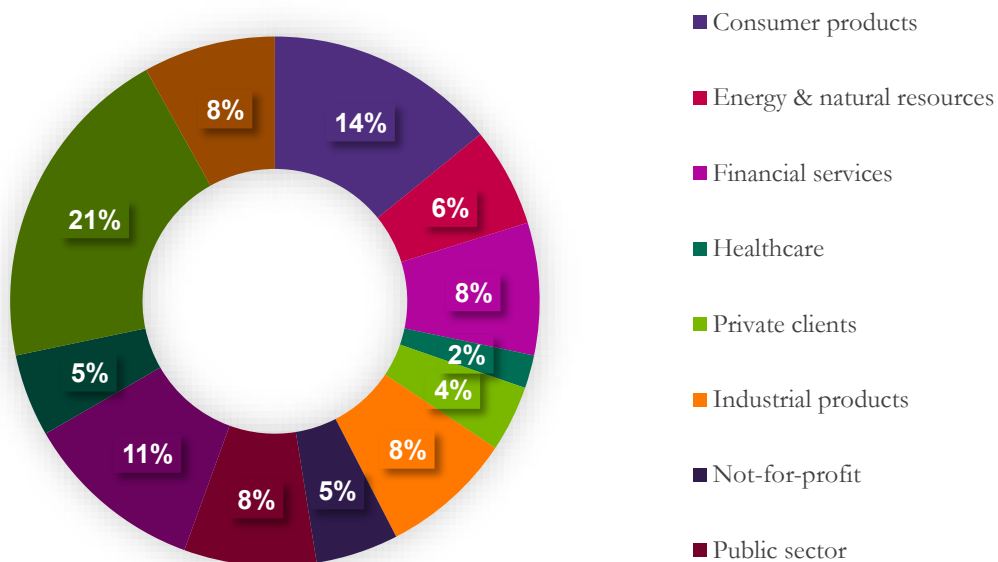
Financial Information

The work that we do with clients can be broken into four broad areas



* Includes: outsourcing, supervisory and trustee services.

The industries that we serve can be broken down as follows:



Partners' Remuneration

Partners' remuneration consists of various components, as follows: a fixed component; a variable component based on the partner's profit sharing ratio in accordance with the partnership agreement; and an amount distributed to certain partners for their achievements based on qualitative criteria.