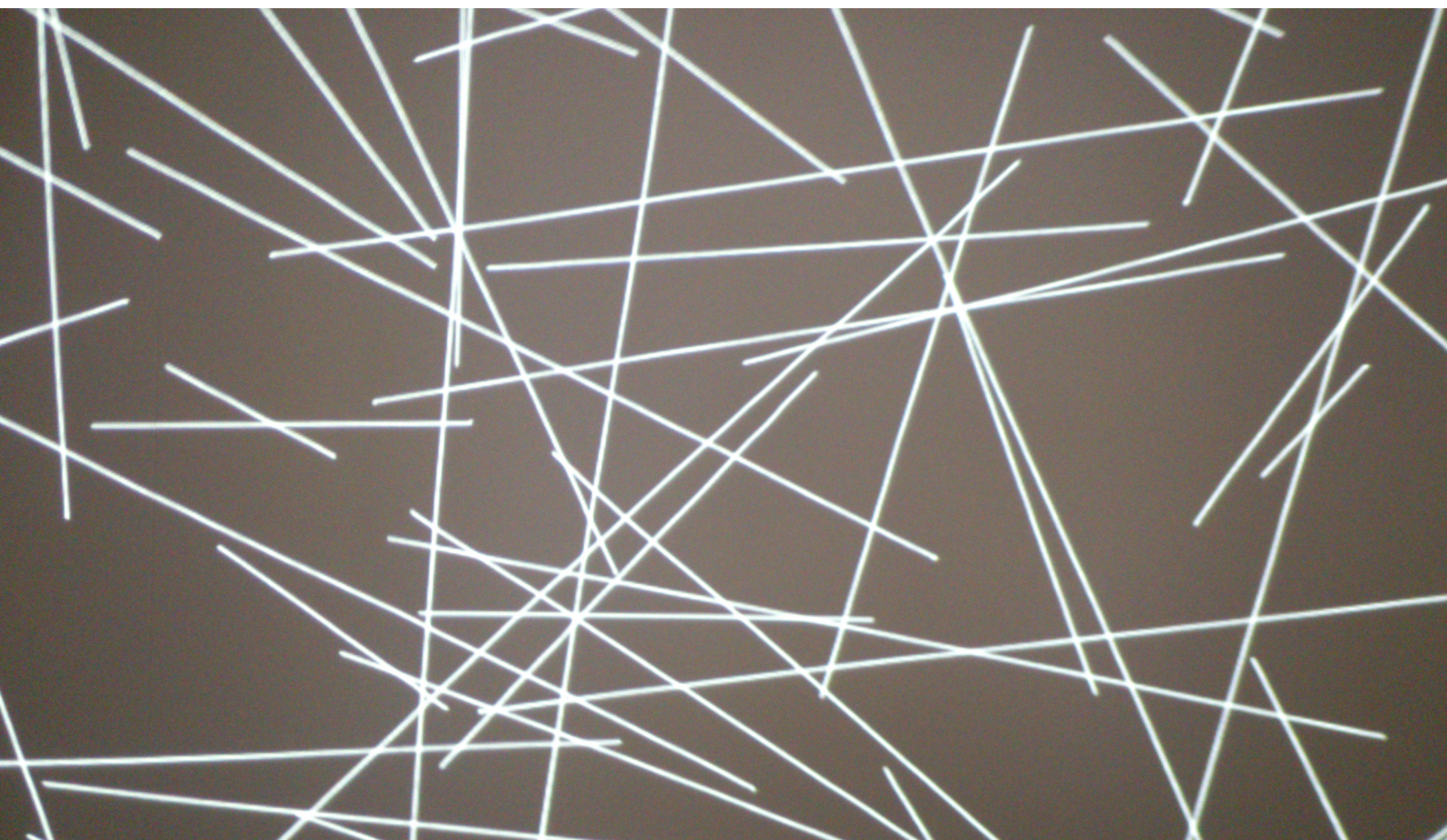


Transparency Report

For the year ended 30 September 2017



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Foreword

This transparency report has been prepared voluntarily and is our sixth report of such kind. Prior five reports were prepared in accordance with the clause 33.1 of the Act on Certified Auditors of the Republic of Latvia.

This transparency report is a public statement of our commitment to provide highest quality audit services. It briefly explains how the firm is run, how we ensure that we perform quality audits and describes the expertise of our firm.

This transparency report describes policies and procedures which are effective as at 30 September 2017.

Riga, 28 December 2017

Edvards Merhels

Managing partner



Non-financial information

Value proposition

We offer highly personal and technically sound services at fees competitive with those of Big 4. For audit services this means that we:

- dig deep into the issues
- take additional mile or two to address issues which matter to clients
- keep our teams compact and experienced, and do not normally change them from year to year
- respect deadlines
- are strict about business ethics, independence and objectivity, by putting reputation first.

We do not perceive audit as a commodity. On the contrary, we perceive each engagement as unique and requiring bespoke approach. Thus, our offering is targeted at organisations who look for very thorough audits.

Legal structure and ownership

Merhels Revidenti Konsultanti SIA (hereafter Merhels or the Firm) is a limited liability company incorporated on 10 August 1998 under the laws of the Republic of Latvia. The Firm is licensed by the Latvian Association of Certified Auditors (LACA) to carry on with the audit business.

The Firm's ownership structure is as follows:

- 45% of shares are held by Edvards Merhels
- 30% of shares are held by Dace Merhele
- 25% of shares are held by Marija Smirnova.

Edvards Merhels and Dace Merhele are Latvian certified auditors. All shareholders are members of the Firm's Board.

Governance and management

The Firm's daily activities are managed by the Board. Service lines are managed by service lines leaders:

- Audit and advisory services - by Edvards Merhels, simultaneously the managing partner
- Tax advisory services - by Dace Merhele, senior partner
- Financial outsourcing and tax compliance services - by Marija Smirnova, financial outsourcing partner
- Financial advisory - by Mārtiņš Zutis, associate partner.

Quality control

Our quality control system rests upon the set of standards issued by the International Federation of Accountants (ISQC 1, ISA 220, Code of Ethics). However, what truly makes the difference is our excellence focused mindset and attitude to detail.

The Firm's quality control practices are documented in the Ethics and Quality Control Manual. This manual inter-alia describes procedures for:

- Ethical requirements
- Acceptance and continuance of client relationships and engagements
- Human resources, assignment of engagement teams, engagement performance
- Consultation, difference of opinion, complaints and allegations
- Engagement quality control review
- Monitoring.

International affiliation

During the period from 2000 until 2015 Merhels has been affiliated with leading international mid-tier audit networks (Moores Rowland International, Grant Thornton International, RSM International). Due to change of strategy, starting from 2015 Merhels is fully independent national professional services firm focusing on transaction advisory and outsourcing.

External monitoring

The Firm is obliged to submit itself to an inspection of its audit practice by the LACA. Such inspections as a minimum are carried out once in 6 years. The inspection process includes high level evaluation of policies and procedures applicable to the firm's audit practice. The inspection team reviews select financial statements, audit reports and engagement files. The inspection team also interviews partners in-charge for select audit engagements. Upon completion of work inspectors may attribute the following grades to a firm:

- A - no significant issues noted or up to 5 insignificant issues noted
- B – one significant and up to 9 insignificant issues noted or up to 12 insignificant issues noted
- C – 2 or more significant issues noted or one significant and more than 9 insignificant issues noted.

The Firm has been subject to LACA's inspections in 2008 and 2013. In both cases the Firm was assigned grade "A".

Independence practices

Merhels is committed to ensuring that its independence policies and procedures are robust and provide clients and other users of audit reports with confidence that the Firm and their professionals are independent and objective.

Our independence policies and procedures are based on the IFAC Code of Ethics. The key elements thereof are:

- providing staff with relevant training
- obtaining annual confirmations from staff as to their independence from audit clients
- maintaining robust client acceptance and reacceptance policies.

Continued professional education

Professional education needs are determined by means of self-assessments, appraisals performed by the Firm's leadership team and monitoring changes in regulations which affect our operations. Education needs are addressed via structured, unstructured and on the job training. Structured training is comprised of attending external and internal courses, seminars and workshops. It may as well include preparing courses and/ or articles

to professional magazines. Unstructured learning is comprised of reading professional magazines, books and other professional literature. The Firm requires that staff documents learning activities.

Our people hold such professional qualifications as:

- LCA: Latvian Certified Auditor
- FCCA: Fellow of Association of Chartered Certified Accountants (UK)
- CIA: Certified Internal Auditor by the Institute of Internal Auditors (USA).

Partner remuneration

Equity partners are remunerated with reference to their share of the Firm's profits. Associate partner is remunerated with reference to his share of qualifying revenues.

Public interest companies

For the year ended 30 September 2017 we have not audited accounts of public interest companies.

Memorable client work experience

During the year ended 30 September 2017 we worked on more than 150 projects. The bulk of projects, as before, was comprised of traditional accounting, transaction support, tax advisory and audit work. We though had chances to embrace into new waters. For example, Merhels:

- assisted European Commission's Directorate-General for Regional and Urban Policy in execution of their audits and controls
- carried-out value analysis of non-performing loan portfolios
- rendered sell-side due diligence process support.

Awards

During the 2017 Merhels got hold of the following awards:

- BID Group One, whose international activity promotes Quality Culture, Innovation and Excellence, has chosen Merhels to receive the International Star for Leadership in Quality Award
- Lawyer Monthly has selected Edvards Merhels, managing partner of Merhels, for a Lawyer Monthly -

Expert Witness 2017 Award in recognition of his specialized knowledge and experience within the area of strategic business consultancy

- 'Acquisition International' has announced Merhels as the winner of the award 'Best Accountancy Firm 2017 - Latvia'.

Financial information

Revenues

	Y/E 30.09.2017 EUR'000	Y/E 30.09.2016 EUR'000	Y/E 30.09.2015 EUR'000
Accounting	330	324	266
Audit	83	96	129
Corporate finance	92	104	65
Other	52	53	62
Total fee income	557	577	522

Corporate finance primarily consists of financial due diligence and valuation work.

Other services primarily consist of forensic analysis, management advisory and internal audit.

Other select information

	30.09.2017	30.09.2016	30.09.2015
Net assets (EUR'000)	364	331	127
Number of partners	4	4	4
Number of staff	8	7	5

TALK TO US
DISCOVER HOW WE CAN GROW TOGETHER

Merhels Revidenti Konsultanti SIA

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