



CORPORATE GOVERNANCE

Under its terms of reference, the Audit Committee is required to oversee the relationship with the Company's external and internal auditors, to review the Company's preliminary results, interim results and financial statements, to monitor compliance with statutory and listing requirements for any exchange on which the Company's shares are quoted and to approve transactions with interested parties. During 2005 the Audit Committee met on three occasions.

Remuneration Committee

The Remuneration Committee is comprised of the two non-executive directors, and is chaired by Mr. Anthony McCann. The Remuneration Committee approves the remuneration of all executive directors in the Company. The Committee is responsible for making recommendations to the Board on the Company's framework of executive director's remuneration and for determining on behalf of the Board, the remuneration package for each executive director.

The remuneration of non-executive directors is determined by the entire Board, but the non-executives do not participate in Board discussions or vote on matters relating to their own fees. The Remuneration Committee met three times during the year 2006.

RELATIONS WITH SHAREHOLDERS

The Company welcomes dialogue with its shareholders and communicates with them through its interim and annual reports and website. Regular meetings are held with institutional investors. Any shareholder concerns can be conveyed to the independent non-executive directors. At the AGM, shareholders can question the directors. Notice of the AGM and related papers will be sent to shareholders at least 20 working days in advance.

INTERNAL CONTROL

Internal Auditor

The Board of Directors has overall responsibility for ensuring that the Company maintains adequate systems of internal control. To this end, in accordance with Israeli Company Law requirements, the Company's Board of Directors appointed Mr. Yossef Ginosar, CPA, from Fahn Kanne Control Management Ltd. (Grant Thornton), as an independent internal auditor, after he was interviewed and recommended by the Audit Committee, as prescribed by Israeli Companies Law. The internal auditor reports to the Audit Committee, and is responsible for ensuring that the Company is run according to good corporate practice.

Control Risk Management

A "Control Risk" assessment was conducted between November 2004 and January 2005 by the internal auditor. The internal auditor examined the various controls set up by management to protect the organization from exposure to risks that could cause damage to the organization should the risks be realized. This Control Risk assessment was conducted in order to assist the internal auditor in the goal of focusing on the specific areas of risk which management should address in order to maximize the benefit to the Company.



CORPORATE GOVERNANCE

During 2006, as a result of management recommendation and the decision of the Audit committee, the internal auditor examined the Group's Security of Means of Payment and no material inadequacies were found. All of his recommendations were accepted.

The auditor submitted his report and recommendations in March 2007 for management's consideration and address and to the audit committee.

Financial information and control

The key features of the financial controls of the Company include a comprehensive system of financial reporting, budgeting and forecasting, and clearly laid down accounting policies and procedures. The Board of the Company is furnished with detailed financial information on a monthly basis.

REVIEW OF EFFECTIVENESS

One of the Board's roles is to provide entrepreneurial leadership for the Company within the framework of prudent and effective controls which enable risk to be assessed and managed.

The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance.

The Board sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

Each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and any other duties).

The non-executive directors are responsible for performance evaluation of the Chairman, taking into account the views of executive directors.