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Securities Regulations (Periodic and Immediate Statements), 5730-1970¹

By virtue of my authority under section 36 of the Securities Law, 5728-1968, on the recommendation of the authority and with the approval of the Finance Committee of the Knesset, I enact the following regulations:

¹ 1 Kovetz HaTakanot (Collection of Regulations) 2591, 5730 (30 July 1970), p. 2037.
Amended: Kovetz HaTakanot (Collection of Regulations) 4065, 5740 (12 December 1979), p. 564;
Kovetz HaTakanot (Collection of Regulations) 4738, 5745 (14 December 1984), p. 394;
Kovetz HaTakanot (Collection of Regulations) 4843, 5745 (23 July 1985), p. 1778 [5745(2)];
Kovetz HaTakanot (Collection of Regulations) 5065, 5748 (15 November 1987), p. 150;
Kovetz HaTakanot (Collection of Regulations) 5107, 5748 (12 May 1988), p. 811 [5748(2)];
Kovetz HaTakanot (Collection of Regulations) 5145, 5749 (13 November 1988), p. 141;
Kovetz HaTakanot (Collection of Regulations) 5189, 5749 (11 June 1988), p. 886 [5749(2)];
Kovetz HaTakanot (Collection of Regulations) 5368, 5751 (7 July 1991), p. 1027 (amendment came into effect on 1 July 1991);
Kovetz HaTakanot (Collection of Regulations) 5613, 5754 (12 July 1994), p. 1169 (see applicability and transition provision in the amending regulations);
Kovetz HaTakanot (Collection of Regulations) 5740, 5756 (21 March 1996), p. 645 (see applicability provisions in the amending regulations);
Kovetz HaTakanot (Collection of Regulations) 5819, 5757 (20 March 1997), p. 489;
Kovetz HaTakanot (Collection of Regulations) 6019, 5760 (17 February 2000), p. 323;
Kovetz HaTakanot (Collection of Regulations) 6128, 5762 (18 October 2001), p. 30;
Kovetz HaTakanot (Collection of Regulations) 6130, 5762 (1 November 2001), p. 64 [5762(2)];
Kovetz HaTakanot (Collection of Regulations) 6159, 5762 (21 March 2002), p. 564 [5762(3)];
Kovetz HaTakanot (Collection of Regulations) 6169, 5762 (22 May 2002), p. 756 [5762(4)];
Kovetz HaTakanot (Collection of Regulations) 6200, 5763 (7 October 2002), p. 50;
Kovetz HaTakanot (Collection of Regulations) 6235, 5763 (7 April 2003), p. 654 [5763(2)] (two amendments);
Kovetz HaTakanot (Collection of Regulations) 6313, 5764 (6 May 2004), p. 654;
Kovetz HaTakanot (Collection of Regulations) 6325, 5764 (21 June 2004), p. 718 [5764(2)];
Kovetz HaTakanot (Collection of Regulations) 6339, 5764 (14 September 2004), p. 972 [5764(3)];
Kovetz HaTakanot (Collection of Regulations) 6362, 5765 (18 January 2005), p. 335.
Kovetz HaTakanot (Collection of Regulations) 6370 (17 February 2005), p. 438 (5765 (2)(amendment of application regulations and transitional regulations to amendment 5764(3))
Kovetz HaTakanot (Collection of Regulations) 6431 (31 October 2005-5765) p. 53
Kovetz HaTakanot (Collection of Regulations) 6467, (12 March 2006-5766), p. 566, 573 (two amendments, 5766(2))
Kovetz HaTakanot (Collection of Regulations) 6467, (23 October 2006-5766), p. 169

Chapter A: General Provisions

1. In these regulations:
'Corporation' — the corporation that prepares the statements, excluding a joint investment trust fund;
'Possession' and *'purchase'* — according to their meaning in the law, excluding possession or purchase by an integrated company;
'The auditor,' "accepted accounting rules in the United States," 'foreign issuer,' 'American auditing standards,' 'international accounting standards' and 'international auditing standards' - as defined in the Financing Statements Regulation;

Definitions:

[amended: 5740, 5748, 5748(2), 5749, 5751, 5754, 5757, 5762, 5763(2), 5764(2), 5767-2006(2)]

'Affiliate' -

- (1) A company, in which another company - which is not its holding company – invested an amount that, according to its adjusted balance sheet, is equal to twenty-five percent or more of the adjusted net worth of the other company, whether in shares or in another way, excluding a loan given in the normal course of business and which is not an owner's loan;
- (2) A company in which another company - which is not its holding company – holds twenty-five percent or more of the nominal value of its issued share capital or the voting power therein, or which is entitled to appoint twenty-five percent or more of the number of its directors;

'Principal shareholder', in a corporation - according to the meaning thereof in paragraph (1) of the definition of 'principal shareholder', in a corporation, in section 1 of the law;

'Convertible securities' - securities that can be converted to shares or that give a right to buy shares;

'Investment trust fund', *'fund manager'* and *'trustee'* - as defined in the Joint Investment Trust Law, 5721-1961;

'Senior officer' - a director, including an individual whom another corporation holding office as a director chairman of the board of directors appointed as stated in section 236 of the Companies Law, a general manager, assistant general manager, deputy general manager, comptroller, internal auditor and every officer as stated even if the title of his office is different, and also an individual employed in the corporation in another position who holds twenty-five percent or more of the nominal value of the issued share capital or of the voting power;

'Companies Law' - the Companies Law, 5759-1999;

'Financial statements' - a balance sheet, profit and loss statement, statement of changes in net worth and a statement of cash Securities Regulations (Periodic and Immediate Reports), 5730-1970 flow, including the explanations to them;

"Director - expert in accounting and financing" – professionally qualified director – as stated in section 240(a1) of the Companies Law;

- 'Quarter'* - a period of three months ending on the last day of the third month (the first quarter), the sixth month (the second quarter), the ninth month (the third quarter) and the twelfth month (the fourth quarter) of the accounting year of the corporation;
- 'Date of the report'* - the last day in the first, second and third quarters;
- 'Interim financial statements'* - consolidated financial statements of the corporation prepared as of the date of the report, and with regard to a corporation that is not liable to prepare consolidated annual statements - financial statements of the corporation alone;
- 'Report of the board of directors'* - a report of the directors about the state of the corporation's business, according to the meaning thereof in regulation 10;
- 'Trading day'* - any day on which there is trading on the stock exchange, including a day on which no trading takes place on it because it is closed under the provisions of section 50 of the Law;
- 'Insurer'* - within the meaning thereof in the Supervision of Insurance Business Law, 5741-1981;
- 'Date of the report'* - the date on which the periodic report was signed;
- 'Reporting year'* - the last accounting year of the corporation that ended before the date of the report;
- 'Financial Statements Regulations'* - the Securities (Preparation of Annual Financial Statements) Regulations, 5753-1993;
- 'Dormant shares'* - within the meaning thereof in section 308 of the Companies Law or shares that were purchased by a controlled corporation in accordance with section 309 of the Companies Law;
- 'Merger'* - as defined in the Companies Law;
- 'Register of shareholders'* - within the meaning thereof in the second chapter of part four of the Companies Law;
- "material valuation"* - material valuation carried out by the corporation or another entity (henceforth - appraiser), of an asset, liability, contract, capital, activity, revenues or expenses material to the corporation, which were used as the foundation for reported values, including updates of previous values and including determining that there is no need to change reported values; for the purpose of this clause and for the purpose of section 10(b)(8) and 37A1, *"reported"* - in a prospectus and any other report stipulated in law, with the exception of reports submitted under Regulation 36 as well as tender offer specifications as defined under the Securities Law Regulations (Tender Offers) 5760-2000², and as defined under the Securities Law Regulations (Details of an Outline of an Offer of Securities to Employees) 5760-2000³

Application of the Regulations

[amended:5740, 5748, 5763(2), 5765]

2. (a) A corporation whose securities were offered to the public in a prospectus

²Kovetz HaTakanot (Collection of Regulations)5760-2000, p. 314

³Kovetz HaTakanot (Collection of Regulations)5760-2000, p. 617

or are traded on the Stock Exchange shall submit statements to the authority under the provisions of these regulations, as long as its securities are held by the public.

- (b) The statements shall be submitted to the ISA in accordance with the provisions of the Securities Regulations (Electronic Signature and Securities) 5763-2003
- (c) The first reporting period for which a corporation shall submit financial statements shall be the reporting period following the last reporting period whose financial statements were included in the prospectus in which the securities of the corporation were offered to the public.
- (d) The reporting obligation of a corporation shall end on the date (hereafter - the date on which the reporting obligation ends) on which one of the following occurs, provided that its securities are no longer listed for trading on the stock exchange:
 - (1) The number of the members of public who are holders of its securities does not exceed ten;
 - (2) The number of the members of public who are holders of its securities does not exceed thirty-five, the amount of its issued capital held by the members of the public who are shareholders does not exceed one per cent, the amount of the issued capital held by the members of the public who are shareholders with full dilution does not exceed one per cent, and the value of the adjusted indebtedness for certificates of indebtedness held by members of the public who are shareholders, including those that are convertible into shares, does not exceed 500,000 (five hundred thousand) NIS.
- (e) Notwithstanding what is stated in sub-regulation (d), the last reporting period for which a corporation shall submit financial statements shall be the last reporting period that ended prior to the date on which the reporting obligation ends.
- (f) If the conditions stated in sub-regulation (d) are fulfilled in a corporation, to the best of its knowledge, it shall submit an immediate report that shall give details of these conditions, the date on which they were fulfilled and the last reporting period for which it is obliged to submit financial statements as stated in sub-regulation (e).
- (g) ***In this regulation:***
 - “*Financial statements*” - a periodic report according to the meaning thereof in chapter B or interim financial statements together with a report of the board of directors according to the meaning thereof in regulation 48, as applicable;
 - “*Members of the public who are (share)holders*” - all the holders of the securities of the corporation except for the controlling shareholder;
 - “*Securities*” - all the securities that were issued in accordance with a prospectus or that were listed for trading on the stock exchange;
 - “*Reporting period*” - a reporting quarter or a year, as applicable

Form of statements:

[Amended: 5754, 5764(3)]

3. Reports shall be presented in a format convenient for reading with its pages numbered.

Items in the statements:

4. (a) The statements shall include the items set out in these regulations according to their order herein; there is no obligation to mention the non-existence of a certain item unless this is expressly stated in these regulations.
- (b) If more than one person is deemed the holder of certain securities, with regard to which there is a duty to make a report under these regulations, all the said holders shall be mentioned in the report, stating the number of securities of the different kinds held at that time by more than one person; what is stated in this sub-clause shall not apply to a holder who is a listing company.
- (c) The items in these regulations will be included, in so far as they concern the business of the corporation and are material to its proper presentation; without derogating from the generality of the aforesaid, any item that may be important to a reasonable investor who is considering an investment in the securities of the corporation shall also be included.

Number of securities on a Stock Exchange:

(amended: 5740)

- 4A. Everywhere in these regulations where a report about a security registered for trade on the Stock Exchange is required, alongside the name of the security shall be stated its number in the Stock Exchange price list.

Signing the statements:

(amended:5754, 5756)

5. The statements shall be signed by the persons authorized to sign on behalf of the corporation and they shall state the date of the signature; next to every signature shall be stated the name of the signatory and his position in the corporation.

Inclusion by way of reference:

[amended:5764(3), 5767-2006(2)]

- 5A. (a) A corporation may include in a report details that are required by these regulations by way of reference to a quarterly report or to an immediate report, submitted by the corporation, as published by means of electronic reporting and

filed in accordance with the law (in this regulation - another report) and the following provisions shall apply:

- (1) Information shall not be included by way of reference to another report if more than four years have passed from the date of its publication until the date of report in Securities (Periodic and Immediate Reports) Regulations, 5730-1970 which the reference is made;
 - (2) Information shall not be included by way of reference to another report in which that information is included by way of reference;
 - (3) Information shall not be included by way of reference if this may mislead or cause a lack of clarity;
 - (4) Information shall not be included by way of reference to another report that was not properly filed;
 - (5) The reference shall be made expressly and shall state the type of report to which the reference is being made, the date stated on the report, the date on which the report was published, the chapters or clauses to which the reference is made and the matter to which the reference is made, while expressly stating the fact that the information is included by way of reference;
 - (6) Any development that occurred or any update, if required, concerning the information that is being included by way of reference shall be included;
 - (7) If the information that is being included by way of reference is of the kind that requires prior consent to be included in the report, consent shall be included anew as aforesaid also for the inclusion in the present reporting by way of reference.
- (b) The provisions of this regulation shall not apply to a corporation if it, a controlling shareholder therein or officers thereof were convicted of an offence under the law during the three years preceding the date of the report.

Opinion, report or approval

[amended:5764(3) 5767-2006(2)]

- 5B. (a) A report, opinion or approval (hereafter — certificate), which are included in the report, shall include all of the following:
- (1) The signature of the person giving the certificate, stating his name and the date of the signature;
 - (2) The prior consent of the person giving the certificate to its inclusion in the report;
 - (3) If an undertaking was given to indemnify the person giving the certificate for the certificate - stating this fact and the details of the indemnity, including the identity of the party giving the indemnity;
 - (4) The facts, assumptions, calculations and forecasts that underlie the certificate and on which the person giving the certificate relied, the model used in the certificate, if there was one, and the reasons for choosing this model.

- (b) If the certificate did not include the items stated in sub regulation (a)(4), the corporation shall include them in the Securities Regulations (Periodic and Immediate Reports), 5730-1970 report.
- (c) If the date of the certificate precedes the date of publication of the report by more than 90 days, the report shall state all of the following:
 - (1) The period that passed from the date of the certificate until the date of publishing the report, stating the fact that it exceeds 90 days;
 - (2) The changes that occurred after the date of the certificate that may change the conclusions of the certificate, and the reasons of the corporation for including it in the report notwithstanding these changes.
- (d) Provisions of this regulation shall not apply to:
 - (1) accountant opinions filed under regulation 9 below;
 - (2) banking corporations
 - (3) insurers
 - (4) certificates attached to a report of a corporation that consolidated or partially consolidated according to relative assessment a banking corporation or insurer, accordingly
- (e) notwithstanding the aforesaid in this regulation, certificates constituting valuations shall come under the rules of Regulations 8B, 10(b)(8), 37A1 and 49;

Chapter B:
Periodic Report - Date of Filing and the Items therein
(amended: 5754)

6. *Repealed.*

Date for filing the report

[amended: 5740, 5749(2), 5754, 5756, 5763(2)]

- 7. (a) The corporation shall submit to the authority a periodic report every year, within three months of the end of its reporting year, provided that the report is submitted fourteen days or more before the date fixed for convening the general meeting at which the financial statements of the corporation will be presented or within three days of the date when the corporation's accountant signed his opinion about the audited financial statements of the corporation, whichever is the earlier.
- (b) The date of the signature on the periodic report shall not be more than three days before the date on which it is submitted to the authority.

Items and form of the periodic report

[amended: 5754, 5763(2), 5764(3)]

8. (a) The periodic report shall contain collectively the documents and the items set out in this chapter and a table of contents shall be attached thereto.
- (b) The periodic report shall be divided into four chapters in accordance with the following order: description of the corporation's business; report of the board of directors concerning the state of the corporation's affairs; financial statements; additional details concerning the corporation.

Description of the business of a corporation:

[amended: 5764(3), 5767-2006(2)]

- 8A. The periodic report shall include a description of the corporation and the development of its business that occurred in the previous year, in accordance with the details and the principles in the First Schedule to the Securities (Details, Structure and Form of Prospectus) Regulations, 5729-1969, mutatis mutandis, and wherever the Schedule says 'prospectus', it shall be read as if it said 'report.'

Reservation concerning application to a banking corporation and insurer:

[amended: 5764(3)]

Valuation

[amended: 5766, 5767-2006(2)]

- 8B (a) where a material valuation was used as the basis for determining reported value in periodic reports, including statements that there is no need to amend the aforesaid reported value, the corporation shall attach said material valuation to the periodic report.
- (b) the valuation should reflect, *inter alia*, the following:
 - (1) details of corporation's organ that decided to contract the appraiser; for the purpose of this clause, "organ" – as defined under section 46 of the Companies Law, including the audit committee, financial officer and any other corporate officer;
 - (2) existence of dependence between the corporation and the appraiser; to the extent that such dependence exists – the corporation should state its nature and clarify why the aforesaid appraiser was preferred over other independent appraisers

Provisions of this sub-regulation shall not apply to valuations conducted by the corporation itself.

- (c) not withstanding the aforesaid under regulation 5A(a), the corporation is authorized to include by reference material valuations in periodic reports that were released to the public by another corporation by means of electronic filing, provided that the material valuation is presented in compliance with these regulations; the aforesaid inclusion shall not apply to regulation 5A(a)(1)
- (d) valuations attached to the periodic report shall include all matters listed under the Third Schedule, as well as any other material detail important to a reasonable investor; where the valuation did not include the aforesaid details, the corporation shall complete those details in the periodic report.
- (e) where the language of the valuation is not Hebrew, the translation of the valuation into Hebrew, including translator's certificate pertaining to the accuracy of translation and his agreement to include the aforesaid translation and the certificate in the periodic report, shall be included in the aforesaid report; valuations written in English can be included in the original language.
- (f) Where the effective date of valuation precedes the publication date of the periodic report, by more than 90 days, the following should be stated in the periodic report:
 - (1) the period that elapsed from the effective date to the publication date of the periodic report, stipulating that this period exceeds 90 days;
 - (2) changes that took place after the effective date, which may alter the conclusions of the valuation, and the company's reasons for its inclusion in the periodic report despite the aforesaid changes;

in this sub-regulation, "effective date" – the date to which the valuation refers.

- (g) provisions of sub-regulation (a) shall not apply to material valuations pertaining to law suits, client receivables or to inventory balances, as well as to valuation used as the basis for determining reported values of "included affiliates" as defined in the financial statements regulations.
- (h) The ISA is authorized to exempt a corporation from including material valuations, all or in part, if it is persuaded, following the presentation of corporation's case,

that the aforesaid exemption will not harm the interests of the investing public.

Exemptions from Regulations 8A, 8B, 8(b)

[amended: 5766, 5767 (2)]

Provisions of Regulations 8A, 8B, 8(b) shall not apply to:

- (1) Banking corporations;
- (2) Insurers;
- (3) Information provided in a periodic report of a corporation that consolidated or partially consolidated according to relative assessment a banking corporation or that a banking corporation is its included affiliate in so far as the information pertains to the banking corporation;
- (4) Information provided in a periodic report of a corporation that consolidated or partially consolidated according to relative assessment an insurer or that the insurer is its included affiliate, in so far as the information pertains to the insurer;
- (5) Information provided in a periodic report of a corporation that consolidated or partially consolidated according to relative assessment a special corporation or that a special corporation is its included affiliate, in so far as the included information fulfills two of the following conditions:
 - (a) pertains to a special corporation;
 - (b) is not subject to disclosure under foreign law that applies to the special corporation;

In this clause, "special corporation" – corporation that comes under the provisions of Chapter 5C of the Law;

Financial statements:

[Amended: 5740, 5754, 5763(2)]

9.
 - (a) Annual financial statements of the corporation shall be included as of the date on which the reporting year of the corporation ended (hereafter - the balance sheet date), prepared in accordance with the provisions of the Financial Statements Regulations, and audited according to law.
 - (b) The opinion of the corporation's accountant about the audited financial statements of the corporation and the audited consolidated financial statements of the corporation shall be included, and this shall also include a confirmation about the preparation of the statements in accordance with the Financial Statements Regulations.

- (c) An opinion as stated in sub-regulation (b) of the accountant of a subsidiary whose financial statements were attached to the corporation's financial statements shall be included with regard to the financial statements of the subsidiary.
- (d) An opinion as stated in sub-regulation (b) and (c) shall state the date it was signed by an accountant.
- (e) The statements shall be signed, on behalf of the corporation, by the chairman of the board of directors, the general manager and the most senior officer in the field of finance, or by a director whom the board of directors authorized instead of any one of the aforesaid for signing the financial statements as of a particular date, and the provisions of regulation 5 shall apply.

Board of directors' report pertaining to the state of corporate business:

[amended: 5754, 5756, 5762(2), 5762(3), 5763(2), 5764(3), 5766(2), 5767(2)]

- 10. (a) A report of the board of directors about the state of the business in the reporting year shall be included, and this shall contain explanations of the board of directors about the state of the corporation's business, the results of its activities, its net worth and its cash flow; the explanations shall relate to the way in which events influenced the figures in the financial statements and the figures in the description of the corporation's business, if this influence was material, and to the reasons that led to changes that occurred in the state of the corporation's business in comparison to the reporting years included in the financial statements; the report of the board of directors shall relate to the main figures found in the financial statements and within the framework of the description of the corporation's business, and shall include additional information that is in the corporation's possession with regard to the reporting year, all of which if in the opinion of the board of directors they are important for an understanding the state of the corporation's business in a balanced way by a reasonable investor who is considering a purchase or sale of the corporation's securities. The report of the board of directors shall also include details about the corporation's donations. The report of the board of directors shall also include details with regard to exposure to market risks and the methods of managing them.⁴
- (b) The report of the board of directors shall be prepared as follows:
 - (1) The explanations shall relate to each of the following issues:
 - (a) (Repealed);
 - (b) The financial position;
 - (c) The results of activities;
 - (d) Liquidity;
 - (e) Sources of finance;
 - (f) (Repealed);

⁴ see footnotes to the Second Schedule - application and temporary regulations

- (g) The main figures from the description of the corporation's business;
 - (h) In so far as possible, within the framework of the matters stated in sub-paragraphs (b) to (g), each sphere of activity included in the description of the corporation's business of sector included in the financial statements should be discussed separately. Within the framework of the said issues, the board of directors shall relate to the matters set out in the First Schedule, in so far as they are relevant to the corporation, and to additional matters if, in the opinion of the board of directors, they are important for understanding the state of the corporation's business as stated in sub-regulation (a). Reference should not be made to matters that are irrelevant to the corporation, or which in the opinion of the board of directors are not material or which, if omitted, would not impair the understanding of the state of the corporation's business, and there is also no need to repeat information set out in the financial statements;
- (2) Inter alia, mention should be made of the following:
- (a) (Repealed);
 - (b) The influence of events and trends in the corporation's activity and its business environment and the undertakings that the corporation undertook on the figures in the financial statements;
 - (c) (Repealed);
 - (d) Exceptional or unique events;
 - (e) Events that may indicate financial difficulties;
 - (f) The influence of a joint transaction, an investment in a company or an investment in another corporation, or an increase or decrease in the extent of the participation in a transaction or investment as aforesaid on the figures in the financial statements, where this influence was very substantial;
 - (g) An explanation about matters to which the corporation's accountant drew attention in his opinion about the financial statements;
 - (h) The influence of special contracts within the meaning thereof in regulation 37 of the Financial Statements Regulations on the figures in the financial statements;
- (3) An explanation shall be given of very substantial changes that occurred in the activity of the corporation and its business and in the figures of its financial statements, in each of the quarters of the reporting year and especially in the fourth quarter.
- (4) An explanation shall be given of the criteria of the board of directors underlying a decision or recommendation to make

- payments as stated in regulation 21, with reference to the relationship between the results of the corporation's activities and these payments.
- (5) Reference shall be made to events that occurred after the date of the balance sheet that are mentioned in the financial statements.
 - (6) Details shall be given of the policy of the corporation with regard to making donations, if any has been made, and also the incorporation of this policy in the corporation's business; details shall be given of the amounts of the corporation's donations in the reporting year, stating any undertaking to make donations in future periods, and details shall be given of the amounts of the donations for each of the spheres for which the donations are designated.
 - (7) Details shall be included about exposure to market risks and the methods of managing them, as set out in the Second Schedule.
 - (8) where a significant disparity exists between material assumptions, evaluations and projections which are the basis of valuations, including a professional opinion attached to the report, during the last three years preceding the reporting date - and actual outcome, the disparity should be stated, specifying the reasons for the disparity and its impact on the value set; for the purpose of this regulation and regulation 37A1, "*professional opinion*" – as defined under Regulation 15 of the Securities Law (Private Offering of Securities in a Listed Company) 5760-2000, or under Regulation 9 of the Securities Law (Transaction between a Company and Controlling Shareholder therein) 5761-2001;⁵
 - (9) detailed explanation, pertaining to directors possessing accounting and financial expertise, shall be presented as follows:
 - (a) the minimal required number of directors possessing accounting and financial expertise shall be specified, in accordance with the decision of the board of directors under section 92(a)(12) of the Companies Law (henceforth – the minimal number), as well as the board's grounds for the decision, with reference to liabilities, authority and duties imposed upon the board of directors in accordance with the law, and by taking into consideration, inter alia, the type of company, the size, scope and complexity of its activity;
 - (b) where the board of directors had changed its provisions, pertaining to the minimal number, during the reporting period - the change should be stated and the board of directors' reason, for it, specified;
 - (c) pertaining to a director whom the company perceives as possessing accounting and financial expertise - including

⁵ Kovetz HaTakanot (Collection of Regulations) 5760-200, p. 834

an individual, who acts on behalf of a director that is a corporation, in possession of accounting and financial expertise – the following should be stated:

His name, qualifications, education, experience and knowledge, that are the basis on which the company perceives him as possessing accounting and financial expertise;

- (d) where the number of directors possessing accounting and financial expertise falls below the minimal number, the reasons for this should be specified, along with measures the company intends to take to comply with the minimal number and the timetable provided for the aforesaid compliance;
- (10) an update shall be presented pertaining to each event or matter which comes under regulation 37A2(a).
- (c) In a corporation that prepared consolidated financial statements, the report of the board of directors shall relate to these statements.
- (c1) Notwithstanding what is stated in sub-regulation (c), if a corporation that determined a policy whereby the management of market risks, as stated in sub-regulation (b)(7) and in the Second Schedule, shall be carried out independently and separately in the company or in consolidated companies, and the board of directors of the corporation is of the opinion that the exposure to market risks and the methods of managing them ought to be described in accordance with the policy as aforesaid, the information required shall be included separately with regard to each company as aforesaid in which the effect of the potential exposure thereto on the exposure of the corporation is material.
- (d) The report of the board of directors shall be written in clear and comprehensible language and it shall be divided into subjects as set out in sub-regulation (b)(1); however, the board of directors may combine the explanations about issues or matters that are related to one another, if, in its opinion, this will contribute to the clarity of the report of the board of directors.
- (e) The report of the board of directors shall be approved by the board of directors of the corporation, together with approval of the financial statements, and it shall be signed by two persons — the chairman of the board of directors or another director whom the board of directors authorized for this purpose and the general manager or whoever in the corporation holds that office even if his title is different and the provisions of regulation 5 shall apply, mutatis mutandis, until those prepared for the year ending on 31 December 2003.
- (f) In this regulation and in regulation 48:
 - '*Exposure*' - accounting exposure or economic exposure;
 - '*Accounting exposure*' - market risks relating to the values of the net worth, the net profit or loss, or the cash flow, which are included in the financial statements of the corporation;

'*Economic exposure*' — market risks relating to the value of the corporation or its cash flow;

'*Management of market risks*' - the measures that the corporation takes in order to influence its exposure to market risks;

'*Market asset*' or '*Base asset*' — including interest, an exchange rate, the prices of products and services traded on the commodities markets, the prices of securities traded in Israel and outside Israel, price indices and securities indices;

'*Market risks*' - the possibility that the business results, the net worth, the cash flow or the value of the corporation's securities will be affected directly and materially by changes in a market asset'.

Summary of quarterly profit and loss report:

(Amended: 5754)

10A. a table shall be included and this shall contain a summary of the corporation's profit and loss statements for each of the quarters in the reporting year, in the format of interim financial statements.

Delimitation of applicability pertaining to regulations 10 and 10A:

(Amended: 5754, 5766 (2))

10B. the provision of regulations 10 and 10A shall not apply to:

- (1) a banking corporation
- (2) an insurer
- (3) information in the periodic report of a corporation that had consolidated or consolidated on a relative basis a banking corporation, as far as the aforesaid information relates to the banking corporation;
- (4) information in the periodic report of a corporation that had consolidated or consolidated on a relative basis an insurer, as far as the aforesaid information relates to the insurer;
- (5) information within the periodic report of a corporation that had consolidated or consolidated on a relative basis a corporation which comes under the provisions of Chapter C5 of the Law (under this regulation – consolidated corporation), providing the following takes place within the aforesaid information:
 - (a) pertains to consolidated corporation
 - (b) is not required under disclosure according to a foreign law, which applies to the aforesaid consolidated corporation.

Use of consideration for securities:

[Amended: 5745(2), 5754]

10C. (a) Details shall be given of the use that the corporation made of the

consideration for the securities offered in a prospectus that was published recently before the date of the report, relating to the goals for the consideration set out in the prospectus, the amounts required to achieve each of the goals, the dates for achieving them and details of the stage reached for the goals that have not yet been achieved; the amounts shall be determined in accordance with the level of prices on the date of the prospectus, while comparing them to the level of prices on the date of the report.

- (b) If one or more of the goals for the consideration mentioned in the prospectus is not achieved, or if it was not achieved in accordance with the anticipated timetable, this fact shall be stated and the reasons which led to this shall be given.
- (c) If in the reporting year the corporation realized a right that it reserved in the prospectus to change the goals which the consideration was intended to achieve, the amounts required for achieving one or more of the goals or the timetable for achieving one or more of the goals, the details as changed shall be stated, and the details under this regulation shall apply to them.
- (d) Details under this regulation shall be included as long as all the consideration for the issue was not expended and a report has not been filed including the details about the designated use of the consideration.

List of investments in subsidiaries and affiliates:

[Amended: 5740, 5748(2)]

- 11. A list of the corporation's investments on the date of the balance sheet in each of its subsidiaries and affiliates shall be included with the following details:
 - (1) The number of the shares or convertible securities according to their classes, nominal value, adjusted cost on the date of the balance sheet, value in the adjusted balance sheet, prices of the shares or convertible securities listed for trade on the Stock Exchange on the date of the balance sheet, and if there is no trade on the date of the balance sheet — on the last date of trading preceding it, and the amount of shares and convertible securities held by the corporation out of the total of all the securities issued of that class;
 - (2) The amount of its issued share capital, voting rights and power to appoint its directors held by the corporation;
 - (3) The balance of the debentures and loans in the adjusted balance sheet, their main terms and, inter alia, the years of redemption, linkage terms of the capital or interest and the basis for linkage, details of rights to convert debentures or loans into shares or other securities, and the prices of debentures listed on the Stock Exchange on the date stated in paragraph (1).

Changes in investment in subsidiaries and affiliates:

[Amended: 5748(2), 5754]

12. (a) Details shall be included about changes in the corporation's investments during the reporting year in each subsidiary and affiliate, including the dates of the changes and the main terms of the transactions related to these changes.
- (b) The said details shall be included also with regard to changes in a company that became a subsidiary or affiliate, or which ceased being such a company, in the reporting year.

Income of subsidiaries and affiliates and income from them:

[amended: 5748(2)]

13. The profits or losses of each subsidiary or affiliate of the corporation shall be stated, adjusted for the date of the corporation's balance sheet, before and after tax, in its last accounting year that ended on the date of the corporation's balance sheet or before, stating -
 - (1) The dividend and management fees that the corporation received until the date of the balance sheet from every such company for that accounting year and also any such payment for the period thereafter, all of which adjusted to the date of the corporation's balance sheet;
 - (2) The dividend and management fees that the corporation received after the date of the balance sheet or which it is entitled to receive from each company as stated for that accounting year and also any such payment for the period thereafter, all of which in nominal figures and stating the dates of payment;
 - (3) The interest that the corporation received or which it was entitled to receive from every such company for that accounting year and for the period thereafter, all of which in nominal figures and stating the dates of payment.

List of loans

14. (a) If granting loans is one of the main businesses of the corporation, a list of the categories of loan balances on the date of the balance sheet shall be included, after they are divided into appropriate categories in accordance with the amounts of the balances of the loans, stating the number of borrowers included in each category.
- (b) If a borrower received more than one loan, all the loans that he received shall be deemed for the purpose of this regulation to be one loan for an amount equal to the total of all the balances of the said loans.
- (c) The provisions of this regulation shall not apply to a company or a cooperative society that does business by receiving money from a current account in order to make payments in accordance with a demand by means of a check.

(amended: 5760)

15-19. *Repealed.*

(amended: 5765)

15. Provisions of regulations 3 through 14 shall apply to periodic reports presented on December 31, 2004 (henceforth – report and effective date).

16.
 - (a) a corporation which, due to singular difficulties, assumes that it is unable to submit a report drawn in accordance with the main regulations, as defined under these regulations, on the date stipulated under the main regulations (henceforth – submission date), shall submit the report on submission date, in accordance with the main regulations as defined on the eve of the effective date.
 - (b) a corporation shall detail in the report, as aforesaid under sub-regulation (a), the steps taken to submit the report on the submission date whereas it is drawn in accordance with the main regulations, as amended under these regulations, and the singular difficulties due to which it assumed it was not feasible for it to do so.

 - (c) where a corporation had submitted the report on the submission date whereas it is drawn in accordance with the main regulations, as defined on the eve of the effective date, it shall submit a new report, until May 31, 2005, whereas it is drawn in accordance with the main regulations as amended under these regulations.

17. notwithstanding the aforesaid under these regulations, if the date on which the reporting obligation of a corporation ends - occurs on the date prior to the submission date, the corporation shall submit the report on the submission date, whereas it is drawn in accordance with the main regulations, as defined on the eve of the effective date; for this purpose, "the date on which the reporting obligation ends" – as defined under the regulation 2(d) of the main regulations;

Trading on a Stock Exchange

(amended: 5754)

20. If securities issued by the corporation were listed for trading on the Stock Exchange during the reporting year, or if the trading in them was stopped during that period, the class of the said securities and their nominal value shall be stated, and if the trading in them was stopped, the reason that it was stopped shall also be stated.

Payments to senior officers

(amended: 5760)

21.
 - (a) The report shall mention all the payments that the corporation made and all the undertakings for payments which it undertook, all of which including retirement terms, during the reporting year, for each of the five highest paid holders of senior office that held office in it, stating the officer's

position, and all of which whether the payments or the undertakings for payments as stated were made to the officer or whether they were made to another for the officer, or on account of the employment of the officer, whether made by the corporation or by a corporation controlled by it, and whether they were made by the controlling shareholder in it or a corporation controlled by the controlling shareholder as stated.

- (b) In this regulation:
'payments' - amounts of money and anything else that is a cash equivalent, loans, securities or other rights and any other benefit, all of which unless they were made to the senior officer merely on account of his being a shareholder.

Remuneration and benefits
[amended: 5748(2), 5754]

22. (a) Details shall be given of benefits received by each principal shareholder in the corporation, directly or indirectly, to the best of the corporation's knowledge, during the reporting year, or which it is entitled to receive, from the corporation, from its subsidiary or affiliate, provided that the remuneration and salary of the directors and the general manager and expenses associated with them that do not exceed what is customary shall be stated in a total amount with regard to all the said directors together.
- (b) Amount of benefits received shall be stated when they are adjusted for the date of the balance sheet if they were received by that date, and if they were received after that — in nominal amounts and stating the date of the payment.

(amended: 5760)
23. *Repealed.*

Holdings of principal shareholders:
[amended: 5751, 5762, 5763(2)]

24. (a) Details shall be given, to the best of the corporation's knowledge, of the shares and convertible securities held by each principal shareholder of the corporation in the corporation on the date of the report or on a date as close to it as possible, with details of the name of each principal shareholder, the amount of shares and each of the corporation's convertible securities held by him on the said date and with full dilution, and the nominal value of shares in the corporation that he undertook to buy or that the corporation undertook to sell him.
- (b) Details shall be given, to the best of the corporation's knowledge, of the shares and convertible securities that every principal shareholder holds in each subsidiary or affiliate of the corporation on the date of the report or on a date as close to it as possible.

- (c) For the purpose of sub-regulation (a), a fund manager shall be deemed the holder of the issued share capital included in the fund assets; for the purpose of sub-regulations (a) and (b), a subsidiary of the corporation shall be deemed a principal shareholder in the corporation.
- (d) The report shall state, to the best of the corporation's knowledge, the dormant shares and the securities that can be converted into, or realized for, (hereafter - convertible) dormant shares, that the corporation or a subsidiary or a purchasing corporation within the meaning thereof in section 309(a) of the Companies Law (hereafter - purchasing corporation), holds in the corporation on the date of the report or on a date as close to it as possible, together with details of the name of the holder, the amount that he holds of the shares and each of the convertible securities of the corporation on the said date and with full dilution, and the nominal amount of shares in the corporation that he undertook to buy or that the corporation undertook to sell to him.

(amended: 5760)

25. *Repealed.*

Registered address:

[amended: 5748, 5763(2)]

25A. The registered address of the corporation, its electronic mail address and its telephone and facsimile numbers shall be stated.

Directors of the corporation

[amended: 5748, 5763(2), 5766(2)]

- 26. (a) With regard to each of the directors and substitute directors of the corporation, the following shall be stated -
 - (1) His name;
 - (1a) His identity number;
 - (2) His date of birth;
 - (3) His address for service of court papers;
 - (4) His nationality;
 - (5) His membership of a committee or committees of the board of directors;
 - (6) Whether he is an external director according to the definition thereof under the Companies Law and whether he possesses professional accounting and financial expertise;
 - (7) If he is an employee of the corporation, of its subsidiary, of its affiliate or of a principal shareholder therein - the position or positions that he holds as stated;
 - (8) The date on which he began holding office as director of the corporation;

- (9) His education and occupation in the last five years, giving details of the corporations in which he serves as director, as well as details of his education stating professions or subjects of the aforesaid education, the institution in which they had been acquired and the academic degree or professional diploma he holds;
 - (10) If he, to the best of the knowledge of the corporation and its directors, is a relation of another principal shareholder in the corporation, giving details.
 - (11) if he is a director whom the company perceives as possessing accounting and financial expertise, required to comply with the minimal number stipulated by the board of directors in accordance with section 92(a)(12) of the Companies Law.
- (a1) If the director, or the substitute director, is a corporation (hereafter - a corporation holding office), the following details, in addition to what is stated in sub-regulation (a), shall be stated:
- (1) The name of the controlling owners of the corporation holding office;
 - (2) The place where the corporation holding office was incorporated and its identity number in the place of registration;
 - (3) Whether the corporation holding office is an affiliate of the corporation, giving details of the relevant facts;
 - (4) Whether the controlling owner of the corporation holding office is a family member of a principal shareholder in the corporation, giving details of the relationship;
 - (5) The names of the principal shareholders in the corporation holding office who are principal shareholders in the corporation;
 - (6) The name of the individual holding office on behalf of the corporation holding office, including details as required in sub-regulation (a).
- (b) The authority may exempt the corporation from disclosing an item under sub-regulations (a) or (a1) if it thinks that the circumstances of the case justify this.

Senior office holders

[amended: 5748, 5763(2), 5766(2)]

- 26A. With regard to each of the senior office holders of the corporation, about whom details were not included under regulation 26, the following shall be stated -
- (1) His name;
 - (1a) His identity number;
 - (2) His date of birth;
 - (2a) The date on which he began to hold office;
 - (3) The position he holds in the corporation, its subsidiary, its affiliate, or a principal shareholder thereof;
 - (4) If he is a family member of another senior office holder or a principal shareholder in the corporation;

- (5) His education and business experience in the last five years; the details of the senior office holder's education shall state: professions or subjects of acquired education, the institution in which they had been acquired and the academic degree or professional diploma he holds;

Accountant of the corporation

(amended: 5748)

27. The name of the accountant of the corporation and the address of his office shall be stated. If, to the best of the corporation's knowledge, the accountant or his partner is a principal shareholder or a relation of a principal shareholder or senior office holder in the corporation — details shall be given.

Change of memorandum or articles

[amended: 5754, 5763(2)]

28. Any change made during the reporting year to the memorandum or articles of the corporation shall be included.

Recommendations and decisions of directors

[amended: 5748, 5762, 5763(2)]

29. (a) Recommendations of the directors before the general meeting shall be included, as shall their decisions that do not require the approval of the general meeting, with regard to:
 - (1) Payment of a dividend or making a distribution, as defined in the Companies Law, in another way or a distribution of bonus shares;
 - (2) A change in the registered or issued capital of the corporation;
 - (3) A change of the corporation's memorandum or articles;
 - (4) Redemption of shares;
 - (5) Early redemption of debentures;
 - (6) A transaction which is not at the fair market value, between the corporation and a principal shareholder therein.
- (b) The report shall include resolutions of the general meeting adopted other than in accordance with the recommendations of the directors in the matters set out in sub-regulation (a).
- (c) The report shall include the resolutions of a special general meeting.

Resolutions of the company

[amended 5763(2)]

- 29A. The report shall include details concerning the following resolutions of the company:
 - (1) Approval of actions under section 255 of the Companies Law, with details of the name of the officer and his position, the date and details of the

- action, the date of approval for the action, a description of the proceedings in which the action was approved and the reasons for its approval;
- (2) An action under section 254(a) of the Companies Law that was not approved, whether it was presented for approval as stated in section 255 of the Companies Law or not, with details of the name of the officer and his position, the date and details of the action, the date of the decision, a description of the proceedings that preceded the non-presentation for approval or the non-approval, and the reasons for this;
 - (3) Transactions that require special approvals under section 270(1) of the Companies Law, provided that they concern an exceptional transaction, as defined in the Companies Law;
 - (4) An exemption, insurance or indemnification undertaking, for an officer as defined in the Companies Law, which is in force on the date of the report.

Chapter C: Immediate Reports - Date of Filing them and their Details

The immediate report and the date for filing it [amended: 5756, 5760, 5763(2)]

30. (a) A corporation shall submit immediate reports about events set out in this chapter.
- (b) The date for filing an immediate report - if the contrary is not stated in these regulations - is:
 - (1) When the corporation first learns of an event before 9:30 on any trading day - no later than 13:00 on that day;
 - (2) When the corporation first learns of an event at another time - no later than 9:30 on the next trading day.
 - (3) In this regulation -
'When the corporation first learns of an event' – the occurrence of the event becomes known for the first time to one of the following: the chairman of the board of directors of the corporation, its general manager, its main business manager, the most senior officer in the field of the corporation's finance, the corporation's secretary, or an office holder as stated in the corporation even if the description of his office is different.
- (c) *(repealed)*
- (d) The report shall state the date and time when the event occurred and the date and time when the corporation first learned about its occurrence, and the details set out below in this chapter.
- (e) In any event, the immediate report shall be submitted before the information included in it, in whole or in part, is made public by the corporation or by a senior office holder therein.

If the immediate report is submitted during the half hour before trading begins or during the hours when trading takes place on the Stock Exchange in which the corporation's securities are listed, the corporation shall not make the information included in it public, in whole or in part, nor shall it have it made public until 30 minutes have passed from the time of submitting it.

Immediate report in Accordance with the ISA's demand

[amended: 5740, 5763(2)]

- 30A. If information about an event that is not mentioned in this chapter reaches the authority, and the authority thinks that knowledge about it is important to the reasonable investor who is considering the purchase or sale of the corporation's securities, the authority may demand that the corporation submit to the authority an immediate report about the said event, within a period as demanded by the authority.
31. (a) If a change occurs in the issued capital of the corporation, excluding the issue of shares bought under a prospectus - the details of the said changes, in various classes of share capital, shall be included and the consideration paid or that which will be payable for the shares issued - shall be stated.

Change of capital, voting rights and the right to receive a dividend

[amended: 5762, 5763(2)]

- (a1) If the change in the number of the shares in the issued capital is less than 1% of the issued capital of the corporation, the report shall be made by way of a central report that shall be filed between the first and fifth of each month after the month in which the change occurred as aforesaid (in this regulation — a central report); the central report shall include the details for each change separately; however, in the following cases the report shall be filed at the times provided in regulation 30, even if the date for filing this central report has not yet arrived:
- (1) The cumulative change since filing the previous central report reached 1% of the issued capital of the corporation;
 - (2) A fixed date has arrived on which confirmation of ownership within the meaning thereof in the Companies Regulations (Proof of Ownership of a Share for the purpose of Voting at a General Meeting), 5760-2000, is required, or a fixed date has arrived for the purpose of entitlement to interest, redemption, dividends, rights, a bonus or any other right.
- (b) If dormant shares are created in the issued share capital of the corporation or there is a change in their number or the identity of the person holding them (in this regulation - a change), the change shall be included in the report, stating the following details:
- (1) The name of the holder of the dormant shares;
 - (2) The name of the share;

- (3) The date of the change;
 - (4) The manner of the change — purchase, including a purchase subject to sections 333 and 340 of the Companies Law, sale, forfeiture within the meaning thereof in section 181 of the Companies Law, conversion or other change;
 - (5) If the change was by way of a purchase or a sale, it shall be stated whether it was done in the course of trading on the Stock Exchange or outside the Stock Exchange, and in a purchase from an issue — whether the issue was to the public or by way of rights;
 - (6) The number of the dormant shares that the holder held before the change and after it;
 - (7) The amount of the share capital issued in the corporation held after the change by the holder of the dormant shares;
 - (8) The amount of voting power in the corporation after the change held by the holder of the dormant shares;
 - (9) *(deleted)*;
 - (10) The details stated in regulation 33(a)(7) and (8), mutatis mutandis;
 - (11) In a purchasing corporation that is subject to section 369 of the Companies Law, the change shall be included, distinguishing between shares bought before the date of commencement of the Companies Law (hereafter – old shares) and shares bought after the date of commencement as stated; for the purpose of old shares, it shall also be stated whether they have voting rights.
- (c) If the change in the number of dormant shares as stated in sub-regulation (b) is less than 1% of the issued share capital of the corporation, the reporting shall be made by way of a central report; the central report shall include details under sub-regulation (b), subject to what is stated in sub-regulation (a1)(1) or (2), mutatis mutandis;
- (d) To the report as stated in sub-regulations (a) to (c) shall be attached details of the number of the shares included in the registered capital of the corporation, the number of the shares included in the issued share capital and the number of shares as aforesaid less the dormant shares, distinguishing between the number of the shares that do not grant voting rights and the number of the shares that do not grant any rights.

Change of name

[amended: 5763(2)]

31A. If the registrar allowed the corporation to change its name, details of the change and the date on which the change was registered by the registrar shall be included in a report.

Change in the details of a corporation

[amended: 5763(2)]

31B. If a change occurred in the address, telephone and facsimile numbers or the electronic mail address of the corporation, details of the change shall be included in a report.

Changes to the articles

[amended: 5763(2)]

31C. If the corporation adopted a resolution to amend the articles, the full text of the amendment and the date on which it comes into force shall be included in a report, and the text of the amended articles shall be attached in full.

Changes to the memorandum

[amended: 5763(2)]

31D. (a) If the corporation adopted a resolution to amend the memorandum, the full text of the amendment and the date on which it comes into force shall be included in a report, and the text of the amended memorandum shall be attached in full.

(b) If an application is filed to the court with regard to the change or cancellation of provisions of the memorandum, the date of filing the application, its main points and the decisions of the court on the application shall be set out in a report.

Change to the register of shareholders

[amended: 5763(2)]

31E. If there is a change in the register of shareholders, details of the change shall be included in a report, and the revised position of the registered shareholders in the register of shareholders shall be attached, with details of the quantity and class of the shares held by them.

Discrimination

[amended: 5763(2)]

31F. If an application is filed to the court to set aside or prevent discrimination, under section 191 of the Companies Law, except for an application whose effect on the corporation is negligible, details shall be included in a report concerning -

(a) The date on which the application was filed and its main points;

(b) The decisions of the court relating to the application.

Public company changing into a private company

[amended: 5763(2)]

31G. If the corporation changes from a public company to a private company under the Companies Law, details shall be given in a report of the circumstances which

resulted in the corporation becoming a private company, and it shall state whether the provisions of section 36 of the Law will continue to apply to it.

Compromise or settlement

[amended: 5763(2)]

- 31H. (a) If an application for a compromise or settlement under sections 350 or 351 of the Companies Law is filed in the court, excluding an ex parte application to grant an order suspending proceedings under section 350(b) of the Companies Law, details shall be included in a report with regard to:
- (1) The date of filing the application in the court and its main points and the text of the notice published under regulation 2(a) of the Companies Regulations (Application for Compromise or Settlement), 5762-2002;
 - (2) The main points of the rehabilitation program, within the meaning thereof in regulation 38(3) of the Companies Regulations (Application for Compromise or Settlement) 5762-2002, which was filed in the court, if at all;
 - (3) The main points of additional application that were filed in the court with regard to the application for a compromise or settlement, which may have a material effect on the corporation, and the date of filing these applications;
 - (4) The granting of an order suspending proceedings or an order transferring assets, as applicable;
 - (5) The appointment of an office-holder by the court and his powers;
 - (6) A decision concerning the convening of creditors' or shareholders' meetings, as applicable;
 - (7) The results of creditors' or shareholders' meetings, as applicable;
 - (8) Decisions of the court.
- (b) The report as stated in sub-regulation (a) shall state the place and the dates on which it is possible to inspect the documents that are the subject of the report.

Filing an application to approve a distribution

[amended: 5763(2)]

- 31I. If a corporation filed an application in the court to approve a distribution in accordance with section 303 of the Companies Law, a report shall include -
- (1) The date of filing the application in the court and the text of the notice published under regulation 3 of the Companies Regulations (Approval of Distribution), 5761-2001.
 - (2) Details concerning decisions of the court on the application.

Application for winding-up of the corporation or appointment of an officerholder
[amended: 5763(2)]

- 31J. (a) If an application to order to winding-up of the corporation or an application to appoint a receiver, liquidator, temporary liquidator, trustee, special manager or another officer-holder (hereafter - officer-holder) is filed in the court or with the Chief Execution Officer, as applicable, a report shall contain details concerning -
- (1) The filing, date and main points of the application, excluding an application whose grounds are negligible;
 - (2) The filing of additional application in the court or with the Chief Execution Officer, as applicable, their main points and the date of filing them, excluding applications within the framework of a proceeding which complies with the last part of paragraph (1) and with regard to which no report has been filed;
 - (3) An appointment of an office-holder by the court or by the Chief Execution Officer, as applicable, and his powers;
 - (4) Decision given by the court or the Chief Execution Officer, as applicable, excluding a decision that dismisses an application which complies with the last part of paragraphs (1) and (2) and with regard to which no report was filed.
- (b) If an office-holder filed a report in the court or with the Chief Execution Officer, as applicable, details shall be included of the main points of the report that was filed as aforesaid, stating the place and times where it may be inspected.

Merger

[amended: 5763(2)]

- 31K. If the board of directors of the corporation decided upon a merger, a report shall contain -
- (1) The merger offer, within the meaning thereof in section 316 of the Companies Law;
 - (2) The resolutions of the general meeting and class meetings; if a vote was held in accordance with the provisions of section 320(c) of the Companies Law, the report shall include the following details: the total amount of all the shares that participated in the vote, the number of the shares that voted for the offer and against it, and the amount that these Securities Regulations (Periodic and Immediate Reports), 5730-1970 25 constitute out of the total of all the shares that were counted for the purpose of the vote, with the distinction required between the shareholders in sections 320(c) of the Companies Law;
 - (3) If a creditor filed an application in the court to stay or prevent the merger under section 319 of the Companies Law, the report shall include the date of filing the application and the main grounds;
 - (4) Decisions of the court;

- (5) A notice of the Antitrust Director, within the meaning thereof in the Restrictive Trade Practices Law, 5748-1988;
- (6) Details with regard to carrying out and registering the merger with the Companies Registrar.

Rights to purchase shares

32. If the corporation granted rights to purchase shares, the report shall state the class of the shares, their number, the consideration for the shares and for the undertakings to issue them and the date on which the right to purchase them will expire.

Holding of a principal shareholder

[amended: 5740, 5745, 5748, 5760, 5762, 5763(2), 5766(2)]

33. (a) If a change occurred in the number of shares or convertible securities of whatever class that a principal shareholder of the corporation holds in the corporation or in any of its subsidiaries or in any of its affiliates, or if a contract is made whose performance will cause such a change (all of which shall be referred to in this regulation hereafter as — a change), the report shall state the change, to the best of the corporation's knowledge, with the following details:
 - (1) The name of the principal shareholder;
 - (1a) His identity number;
 - (2) The name of the security;
 - (3) The date of the change;
 - (4) The manner of the change — purchase, sale, including a reversed sale, signing a loan deed, a conversion or other change;
 - (5) If the change was by way of a purchase, sale, including a reversed sale – if carried out during the trade on the stock exchange, or outside the stock exchange, and as a purchase from the issuer – in case of a public issue or by means of rights;
 - (6) The number of securities that the principal shareholder held before the change and after it;
 - (7) The price at which the change was made and the total financial consideration. If the whole or part of the price was not paid on the date of the change, the date on which the price or the balance thereof is payable should be stated; if payment is not made at the appointed time, an additional immediate report shall be submitted and this shall state this fact and the reasons for it;
 - (8) If it was agreed that the shares or convertible securities, in whole or in part, shall not be transferred on the date of agreeing about the change, the date stipulated for the transfer shall be stated; if the transfer does not take place at the appointed time, an additional immediate report shall be submitted which shall state this fact and the reasons for it;

- (9) The amount of the issued share capital of the corporation held by the principal shareholder, after the change and also the amount as aforesaid with full dilution;
 - (10) The amount of voting power in the corporation held by the principal shareholder, after the change and also the amount as aforesaid with full dilution;
 - (11) If the change was by way of signing a loan document, details shall also be given of the manner of ending the loan, whether by returning the securities that were loaned to the lender or by selling the loaned securities, where the borrower does not return to the lender the securities that were loaned;
 - (12) Whether they are dormant shares or securities convertible into dormant shares.
- (b) Notwithstanding the provisions of sub-regulation (a) -
- (1) If a banking corporation or a supporting corporation (hereafter - banking corporation) is a principal shareholder by virtue of its holdings in a nostro account, and by virtue of its holding through and together with holdings of management companies of joint investment trust funds and provident funds or management companies of provident funds, which are controlled or managed by it, directly or indirectly (all of which jointly hereafter - banking reporting group), it shall report the cumulative change in the holdings of the banking reporting group, to the best of the corporation's knowledge, in a report as stated in sub-regulation (c) and with the details therein, subject to sub-regulation (d), but a report of a change in the holdings in a nostro account shall be included in accordance with the details in sub regulation (a) and on the dates set out in regulation 30;
 - (2) If an insurer is a principal shareholder by virtue of its holdings in a nostro account, and by virtue of its holding through and together with holdings in profit-sharing life insurance accounts, holdings of management companies Securities Regulations (Periodic and Immediate Reports), 5730-1970 27 of mutual investment trust funds, provident funds or management companies of provident funds, which are controlled or managed by it, directly or indirectly (all of which jointly hereafter - insurance reporting group), it shall report the cumulative change in the holdings of the insurance reporting group, to the best of the corporation's knowledge, in a report as stated in sub regulation (c) and with the details therein, subject to sub regulation (d), but a report of a change in the holdings in a nostro account shall be included in accordance with the details in sub-regulation (a) and on the dates set out in regulation 30;

In this sub-regulation and in sub-regulations (c) and (d) –

'Banking corporation' or *'supporting corporation'* – within the meaning thereof in the Banking (Licensing) law, 5741-1981, excluding a joint service company and including a corporation directly controlling a banking corporation or supporting corporation;

'Management company of a mutual investment trust fund' - within the meaning thereof in the Joint Investment Trust Law, 5754-1994;

'Provident fund' - within the meaning thereof in section 47(a)(2) of the Income Tax Ordinance;

'Insurer' - as defined in the Supervision of Insurance Business Law, 5741-1981 (hereafter — the Supervision Law), and also a corporation that directly controls an insurer pursuant to a permit to hold means of control that was given under section 32 of the Supervision Law;

'Profit-sharing life insurance' - as defined in the Supervision of Insurance Business Regulations (Details of Account), 5758-1998;

'Nostrro account' - a securities account held by a banking corporation or insurer, accordingly, for itself or by corporations controlled by it, excluding holdings through and together with management companies of mutual investment trust funds, provident funds or management companies of provident funds and profit-sharing life insurance accounts, which are controlled by the banking corporation or the insurer, or managed by it, directly or indirectly.

(c) Once a week, on the second trading day in the week, the corporation shall file a report containing details of the principal shareholders therein and of their holdings in the securities of the corporation (hereafter - status report) as of the end of the last trading day in the previous week (hereafter - the validity date), unless on the aforesaid validity date there was no change in the holdings of principal shareholders in comparison with their holdings in the previous status report;

for this purpose, *'change in the holdings of a principal shareholder'* - including as a result of a change in the number of dormant shares or a conversion of convertible securities; the status report shall give the following details, to the best of the corporation's knowledge, with regard to each principal shareholder:

- (1) The name of the principal shareholder;
- (2) His identity number;
- (3) The name of the security;
- (4) The number of securities that the principal shareholder holds on the validity date of the status report;
- (5) The balance of the principal shareholders' holdings in the previous status report;
- (6) An increase or decrease, as applicable, in the holdings of the principal shareholder since the previous status report;
- (7) The amount of the issued share capital in the corporation that is held by the principal shareholder, and also the aforesaid amount with full dilution;

- (8) The amount of the voting power in the corporation held by the principal shareholder, and also the aforesaid amount with full dilution;
 - (9) The family relationship to any other principal shareholder in the corporation who is a family member;
 - (10) The existence of voting agreements and other agreements relating to the holding of the corporation's securities, stating the main points thereof;
 - (11) Notwithstanding the aforesaid, should there be grounds to determine that the principal shareholder is a company or a cooperative society; details shall be given of the controlling owner, directly and indirectly, of the company or the cooperative society, as applicable;
 - (12) Notwithstanding the aforesaid, should there be ground to determine that the principal shareholder is a partnership; details shall be given of the partners;
 - (13) Notwithstanding the aforesaid, should there be ground to determine that the principal shareholder is a limited partnership; details shall be given of the general partner;
 - (14) Should the principal shareholder be a trustee, details shall be given of the trust and its nature and also of the beneficiary;
 - (15) Should the principal shareholder be a banking reporting group or an insurance reporting group, details shall be given of the members of the group, stating the relationship between them, and the details in paragraphs (1) to (14), as applicable, shall be included separately with regard to all the members of the group;
 - (16) Every additional detail that is important to the reasonable investor for the purpose of understanding the structure of the holdings of the principal shareholders in the corporation shall be included.
- (d) Notwithstanding what is stated in sub-regulation (c), if the cumulative change in the holdings of a banking reporting group or an insurance reporting group in the corporation, since filing the previous status report or a report under this sub-regulation, whichever is the later, reached 1% of the issued and paid-up capital of the corporation, and the date for filing the next status report has not yet arrived, the report of changes in the holdings of the banking reporting group or the insurance reporting group, as applicable, shall be submitted, in accordance with the details in sub-regulation (c), on the dates set out in regulation 30.
- (e) If a person became a principal shareholder in a corporation, his name, address and the number of shares or convertible securities of each class that he holds, to the best of the corporation's knowledge, in the corporation or in any of its subsidiaries or in any of its affiliates shall be stated, together with the details stated in sub-regulation (a) that relate to the act which resulted in the person becoming a principal shareholder in the corporation.

- (f) If a person became a principal shareholder in a corporation as a result of shares of the corporation becoming dormant shares, the change shall be stated at the latest when that person makes a change as stated in sub-regulation (a) for the first time, such that afterwards he will remain a principal shareholder of the corporation.
- (g) If a person ceased to be a principal shareholder in the corporation, the report shall state the date on which he ceased to be a principal shareholder and also the details set out in sub-regulation (a) with regard to the event that resulted in him ceasing to be a principal shareholder in the corporation.
- (h) For the purpose of this regulation, a subsidiary of the corporation shall be deemed a principal shareholder of the corporation.

(amended: 5760)

33A. Repealed.

Changes of senior officers

[amended: 5748, 5763(2), 5766(2)]

- 34. (a) If a senior officer or substitute director in the corporation ceased holding office, details shall be given of his name, the position which he has left, the date of his leaving, whether he will continue to be a principal shareholder or senior officer in the corporation after leaving office and details with regard thereto, and also, to the best of the corporation's knowledge, one of the following two:
 - (1) The leaving of office does not involve circumstances that should be brought to the attention of the holders of the corporation's securities;
 - (2) The leaving of office involves such circumstances, giving details.
- (a1) where a director had ceased to act in his capacity as such, in addition to the stated under sub-regulation (a), the following details should be stated:
 - (1) whether a director, who ceased to act in his capacity as such, is a director whom the company perceived as possessing accounting and financial expertise required to comply with the minimal number stipulated by the board of directors, in accordance with section 92(a)(12) of the Companies Law.
 - (2) Whether following the cessation of director's tenure the number of directors, in the company, possessing accounting and financial expertise fell below the minimal number.
- (b) If a senior officer or substitute director is appointed in the corporation, the details set out in regulation 26 or 26A shall be given with regard to him, as applicable. If a director, substitute director or general manager is

appointed and he holds shares or convertible securities of the corporation, a subsidiary or an affiliate, the report shall also state the number of the securities and the amount of his holdings in the issued capital and the voting rights, as applicable, and also the aforesaid amount with full dilution.

- (c) A notice that an external director gave of his resignation, under section 37(c) of the Law, shall be attached to the immediate report, and it shall give details of the reasons for his resignation, in accordance with section 229(b) of the Companies Law.
 - (d) A statement shall be attached to the report as stated in sub regulations (a) and (b), and this shall contain a list of the senior officers and substitute directors in the corporation on the date of the statement.
35. (a) If the accountant of the corporation ceased serving in his position, details shall be given of his name, the date of his leaving, and also, to the best of the corporation's knowledge, one of the following two:

Appointment and replacement of accountant

[amended: 5748, 5763(2)]

- (1) That the leaving of office does not involve circumstances that should be brought to the attention of the holders of the corporation's securities;
 - (2) The leaving of office involves such circumstances, giving details.
 - (b) If an accountant is appointed for the corporation, details shall be given of his name, the address of his office and the date of the appointment; if to the best of the corporation's knowledge, the accountant or his partner is a principal shareholder, senior officer or a family member of a principal shareholder or of a senior officer in the corporation, this should be stated and details should be given of the relationship between them.
36. (a) Details shall be given in the report of any event or matter that deviates from the normal business of the corporation on account of their nature, scope or potential result and which have, or may have, a material effect on the corporation, and also with regard to every event or matter that may materially affect the price of the corporation's securities.

Event or matter deviating from the normal business of the corporation

(amended: 5760)

- (b) Notwithstanding what is stated in sub-regulation (a), a corporation may delay the submission of an immediate report about an event or a matter stated therein, in whole or in part, if submitting it may prevent the completion of an act of the corporation or a transaction to which the corporation is a party or in which it has an interest, or worsen its terms significantly, provided that information about that event or matter has not been made public. However, a corporation may not delay

- the submission of an immediate report as stated during the period beginning five days before the last date for converting convertible securities of the corporation; if submitting an immediate report is delayed by the corporation before the beginning of the said period, the corporation shall submit details as stated in sub-regulation (a) no later than five days before the last date for converting convertible securities.
- (c) If the impediment to submitting an immediate report is removed, the corporation shall submit an immediate report about the event or the matter and shall also state therein the reason for the delay and the date and time when the impediment to submitting the report was removed.
 - (d) If information is made public about an event or matter with regard to which the submission of an immediate report is being delayed by the corporation under sub-regulation (b), the corporation shall submit an immediate report about the event or the matter and relate therein also to the correctness of the information that has already been made public.
 - (e) With regard to regulation 30(b), the date of removing the impediment as stated in sub-regulation (c) or the date when information is first made public under sub-regulation (d), as applicable, shall be deemed the date on which the corporation first learned of the event.
 - (f) The provisions of this regulation shall not apply to an event or matter that is common knowledge, unless they have a special effect on the business of the corporation.

Failure to reach an objective in use of consideration for securities

[amended: 5745(2)]

- 36A. If one or more of the objectives stated in a prospectus for the use of the consideration of securities that were offered as stated in the prospectus were not achieved, or if it did not comply with the timetable stated therein, the corporation shall state this fact and give details of the reasons that caused this.

Convening of a meeting

[amended: 5756, 5763(2), 5766(2)]

- 36B. (a) If a meeting of a corporation is convened; the corporation shall submit an immediate report in which the following details shall be stated:
- (1) The type of the meeting;
 - (2) The place where the meeting is being held;
 - (3) The date of the meeting and the time when it will be convened;
 - (4) Details of the matters on the agenda; next to each of the matters shall be given a description of the nature of the matter, stating the main facts required in order to understand properly every matter requiring a vote at the meeting, and it shall provide the text of every draft resolution or a brief description of its main points;

- (5) The place and times when it is possible to inspect every draft resolution whose full text was not included in the details of the agenda;
 - (6) The type of resolution required for each of the matters on the agenda, if it is not an ordinary resolution.
 - (7) The date determined for the entitlement of the shareholders to participate and vote at the general meeting as stated in section 182(b) of the Companies Law;
 - (8) If the agenda of the meeting includes matters on which it is possible to vote by means of proxy, as stated in section 87, of the Companies Law — the amount of the shareholding that constitutes an amount of all of the voting rights, if an amount as aforesaid was determined in regulations under section 89(3) of the Companies Law, or the value of the shares, if the aforesaid value was determined in said regulations, with regard to exemptions for proxy forms and position notices;
 - (9) The quorum for holding the meeting.
 - (10) If the agenda of the meeting included a proposal to appoint a person to a directorship in the corporation, details listed under regulation 26 and pertaining to him should be presented; however if the issue of the proposal is extension of the acting director's tenure, the corporation is authorized to include the aforesaid details by means of reference to the last periodic report submitted by it, providing no change had occurred in the reported details pertaining to the aforesaid issue, in the periodic report.
- (b) In this regulation,
'*a meeting of a corporation*' - a general meeting, a class meeting, a meeting of option holders, a meeting of debenture holders and any other meeting of holders of the corporation's securities, but excluding a meeting of shareholders of the corporation whose shares are not held by the public.
- (c) An immediate report under this regulation shall be filed on the day when the date of the meeting and its agenda are decided.
- (d) If a meeting is deferred, an immediate report shall be submitted and this shall state the fact that the meeting was deferred and details as stated in sub-regulation (a) about the deferred meeting; the details may be given by reference to a report that was published about the convening of the deferred meeting.
- (e) The provisions of this regulation shall not apply if an immediate report was submitted about the convening of a general meeting under the Securities Regulations (Transaction between a Company and a Controlling Shareholder therein), 5760-2000, or under the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000.

Voting in writing and position notices

[amended: 5763(2)]

- 36C. the report shall include position notices and "proxy" forms that should be filed with the Authority under section 89 of the Companies Law and the regulations hereunder, on the dates prescribed in the regulations as aforesaid.

Results of meeting

[Amended: 5763(2)]

- 36D. (a) The report shall include resolutions of the general meeting that was convened in accordance with regulation 36B.
- (b) If the meeting adopted a resolution for which the majority required by law is not a simple majority, the report shall also include the following: the total of all the shares that participated in the vote, the number of shares that voted for the proposal and against it, and the percentage of these out of the total of all the shares included in the vote count for the purpose of the vote, distinguishing between the controlling shareholders or anyone representing them and those persons who are not controlling shareholders or persons representing them, any in addition any other distinction between the shareholders that is required in order to pass the resolution shall be stated.

Recommendations and decisions of the directors

[amended: 5745(2), 5748, 5762, 5763(2), 5766(2)]

37. (a) The recommendations of the directors shall be brought before the general meeting, as shall their decisions which do not require the approval of the general meeting on the date they are adopted with regard to:
- (1) A distribution of a dividend, stating the balance of the profits within the meaning thereof in section 302 of the Companies Law, before and after the distribution; Securities Regulations (Periodic and Immediate Reports), 5730-1970 34
 - (1a) Distribution of bonus shares;
 - (2) Change in the registered or issued capital of the corporation;
 - (3) Change of the memorandum or articles of the corporation;
 - (4) Redemption of shares;
 - (5) Early redemption of debentures;
 - (6) Realizing a right that the corporation reserved in a prospectus to change the objectives which the consideration for the securities that were offered was intended to achieve, the amounts required for achieving one or more of the objectives or the timetable for achieving one or more of the objectives;
 - (7) Transaction that is not at the fair market value, between the corporation and a principal shareholder therein.
 - (8) first time stipulation or amendment in the minimal required number of directors in possession of accounting and financial expertise and the rationale for the first time stipulation or amendment, accordingly.

- (b) *(Repealed)*.
- (b1) The recommendations of the directors to a special meeting shall be included.
- (c) *(Repealed)*.

Resolutions of the company
[amended: 5763(2), 5766(2)]

37A. The following details shall be included in a report of the resolutions of the company:

- (1) Approval of actions under section 255 of the Companies Law, with details of the name of the officer and his position, the date and details of the action, the date of approval of the action, a description of the proceedings in which the action was approved and the reasons for its approval;
- (2) An action under section 254(a) of the Companies Law, that was not approved, whether it was submitted for approval as stated in section 255 of the Companies Law or not, with details of the name of the officer and his position, the date and details of the action, the date of the resolution, a description of the proceedings that preceded its not being submitted for approval or its not being approved, and the reasons for this;
- (3) Transactions that require special approvals under section 270(1) of the Companies Law, provided that they concern an exceptional transaction, as defined in the Companies Law;
- (4) Giving an indemnification in accordance with an indemnification permit, under section 260 of the Companies Law.
- (5) (a) Authorization of the auditing committee and the board of directors of transaction or agreement, carried out by the company, as aforesaid under section 270(3) or 270(4) of the Companies Law, 1999-5759⁶, which does not require the authorization of a general meeting in accordance with regulations 1 to 1B of extenuating regulations, as well as details pertaining to:
 - (1) main points of the transaction
 - (2) summary of the board of director's and the auditing committee's arguments in favor of authorizing the transaction or the agreement
 - (3) the right of shareholders to object to the extension of the extenuation as detailed under the regulation 1C of the extenuating regulations;
- (b) where a government owned company has signed an irregular transaction agreement, as aforesaid under section 270(4) of the Companies Law 1999-5759, which does not require the authorization of the general meeting, according to regulation 2 of the extenuating regulations – the company should submit an immediate report detailing:
 - (1) main points of the agreement;

⁶ Serfer Hokum, (Books of Law), p. 189, 5765 p. 238

- (2) where the agreement was given an exemption, as aforesaid under sub-regulation 2(2)(a) of the extenuating regulations, the main points of the opinion issued by the company's management and main points of the opinion issued by the ministerial committee for privatization;
 - (3) where the agreement given an exemption, as aforesaid under sub-regulation 2(2)(b) of the extenuating regulations, the alternative according to which the exemption has been issued
- (c) in this regulation, "extenuating regulations" – Company Regulations (Easements in Transactions with Principal Shareholders) 5760-2000;

Transaction on the issue of valuation

[Amended: 5766(2)]

37A1. Following a transaction carried out by a corporation - two years past the date the valuation had been first attached to the report of a corporation, including the professional opinion - whose value derivative is substantially different from the one provided under the aforesaid valuation, the corporation should submit an immediate report containing details pertaining to the differences between the derived value of the transaction and the value provided under the valuation, accompanied by explanations of the said difference.

Updating obligation

[Amended: 5766(2)]

37A2. (a) Following a report submitted by a corporation pertaining to an event or issue (henceforth – original report) that might occur at a date later than the one stated in the report (henceforth – a probable event or issue), the corporation should submit a report pertaining to all material developments that occurred in relation to the probable event or issue; where the original report states an expected date for a probable event or issue, the corporation should submit an immediate report pertaining to the state of probable events or issues, correct for the expected date.

(b) report, in accordance with sub-regulation (a), shall be submitted on the dates provided under regulation 30, however, under the definition '*When the corporation first learns of an event*' - of the aforesaid sub-regulation, after "the occurrence of the event becomes known" it should read "or non-occurrence".

(c) This regulation shall apply to those who originally did not come under the obligation to submit the original report.

Chapter C1:
Merger
[amended: 5764]

Article A:
General Provisions

Definitions

(amended: 5764)

- 37B. In this chapter -
- '*General meeting*,' '*stock exchange*,' '*takeover company*,' '*target company*,' '*merging company*,' '*personal interest*' - as defined in the Companies Law;
 - '*Controlling owner*' - as defined in section 268 of the Companies Law;
 - '*Merger report*' - a report pursuant to this chapter;
 - '*Business day*' - a day on which most banks in Israel are open to the public;
 - '*Controlled company*' - as defined in the Financial Statements Regulations;
 - '*Securities*' — excepting for the purpose of regulation 37G - shares or securities that can be converted into, or realized for, shares, including rights to these;
 - '*Consideration*' - the consideration paid to shareholders of the target company;
 - '*Certificates of indebtedness*' - unconvertible certificates that the company issues in a series and that grant a right to claim money from it, on a fixed date or when a certain condition is fulfilled, and that do not grant a right of membership or participation in the company, including commercial papers.

Substantiality of the merger

(amended: 5764)

- 37C. (a) It is a prima facie presumption that a merger is substantial if it fulfils one of the following:
- (1) The profit of the target company in the last year or in the subsequent cumulative interim period, according to the last financial statements, constitutes twenty per cent or more of the profit of the takeover company; the aforesaid amounts shall be calculated in their absolute value;
 - (2) If the consideration was in assets or certificates of indebtedness - the total investment, as shall be recorded in the books of the takeover company, including capital funds if any of these are created, constitutes twenty per cent or more of the total of all the net worth of the takeover company, in accordance with its last financial statements;
 - (3) If the consideration was in securities of the takeover company - the securities grant twenty per cent or more of the total of all the rights in the capital of the takeover company, except for dormant shares and before issue of these shares; for this purpose, securities that are convertible into, or realizable for, shares of the takeover company

- and which constitute a part of the consideration, shall be regarded as if they were converted or realized;
- (4) If the consideration was a combination of the considerations as stated in paragraphs (2) and (3) — the sum of the results of those paragraphs is twenty per cent or more;
- (5) The total of all the assets of the target company or its assets less the net worth, whichever is the higher, constitutes twenty per cent or more of the total of all the assets of the takeover company or of its assets less the net worth, as applicable, according to their last financial statements; the reciprocal balances between the merging companies shall be deducted from the total of all the assets.
- (b) A merger that does not comply with what is stated in sub regulation (a) is a merger that is not substantial.
- (c) In this regulation -
'Last financial statements' - last interim financial statements or last annual financial statements, as stated in regulation 6(a) of the Companies Regulations (Merger), 5760-2000, whichever is the later; if all the merging companies are reporting corporations — last interim financial statements or last annual financial statements, whichever is the later, which on the date of publishing the merger report were published or were liable to be published in accordance with these regulations;
'Profit' - a profit as stated in paragraph (3) of regulation 46(a) of the Financial Statements Regulations, with the addition of the items listed in paragraph (4) thereof, and with the deduction of the items listed in paragraph (5) therein, and without adding the items listed in paragraphs (6) to (8) therein.

Report by a takeover company

(amended: 5764)

- 37D. (a) If the board of directors of a takeover company which is a reporting corporation approves a substantial merger, the company shall file a report in accordance with regulation 37F on the date prescribed in section 317 of the Companies Law. Securities (Periodic and Immediate Reports) Regulations, 5730-1970 37
- (b) If the board of directors of a takeover company which is a reporting corporation approves a merger that is not substantial, the company shall file a report under regulation 37P on the date prescribed in section 317 of the Companies Law.

Report of a target company

(amended: 5764)

- 37E. (a) If the boards of directors of merging companies approve a merger in

which a target company is a reporting corporation whose certificates of indebtedness were offered under a prospectus and will be held by the public after the merger or whose certificates of indebtedness are listed for trading, the target company shall file, within fourteen days of the date on which the board of directors approved the merger, a report which shall include the following:

- (1) The details stated in regulation 37F;
- (2) Details about the takeover company in accordance with the provisions of regulation 37F(a)(11) and (12) and regulation 37O, and wherever they say 'target company' they shall be read as if they say 'takeover company';
- (b) If the takeover company in a merger as stated in sub regulation (a) is not a reporting corporation, the takeover company is liable to continue the reporting that the target company was liable for under the law until the merger, and the report shall state this obligation.
- (c) If the takeover company in a merger as stated in sub regulation (a) is a reporting corporation, its merger reports and those of the target company may be filed as a joint report, signed by both of them; the joint report shall be filed on the date prescribed in sub-regulation (a).

Article B: **Substantial Merger**

Report of a substantial merger (amended: 5764)

- 37F. (a) A report of a substantial merger shall include every detail concerning the merger that may be important to a reasonable investor, including:
- (1) The names of the parties to the merger
 - (2) A description of the contents of the merger agreement;
 - (3) The tax ramifications of the merger on the takeover company;
 - (4) The amount and percentage of the holdings of principal shareholders in the takeover company in the issued and paid-up capital and the voting rights -
 - (a) Before the merger;
 - (b) After the merger;
 - (c) After the merger on the assumption that all the securities that are convertible into, or realizable for, shares of the company are converted and realized;
 - (5) The position of the board of directors on the question whether there is a reasonable concern that as a result of the merger the takeover company will not be able to pay its liabilities to its creditors, after the merger;

- (6) Approvals that are required for the merger or conditions prescribed for its implementation, whether they were received or fulfilled or not, on what date they are expected to be received or fulfilled;
 - (7) New restrictions that exist or that are expected to apply, to the best of the company's knowledge, to the takeover company as a result of the merger, including:
 - (a) A demand by creditors for payment of loans;
 - (b) Restrictions on the creation of charges;
 - (c) Changes in the credit rating of the company;
 - (8) The name of each director and controlling owner who has a personal interest in the merger, and the nature of that interest;
 - (9) The plans of the takeover company, if any, with regard to securities that are convertible into, or realizable for, shares of the target company;
 - (10) The consideration as stated in regulations 37G to 37B;
 - (11) Financial statements of the target company in regulations 37C to 37O;
 - (12) A description of the target company during the period beginning two years before January 1 of the year in which the merger report is filed and ending shortly before the date of filing the report, in accordance with the details prescribed in the Schedule to the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000 (hereafter - the Schedule to the Offering Regulations), in so far as any matter set out therein concerns the target company and is material to the business or the activity of the target company;
 - (13) The plans of the takeover company as a result of the merger, in so far as they have been made, including plans for integration of activities, sale of assets, dismissal of workers and reorganization;
 - (14) The fact that the merger requires approval under section 320(c) or (d) of the Companies Law, the terms of the approval required under the aforesaid law and the facts on account of which it is required, and also the names of the holders of the shares of the takeover company and the shares of the target company and the percentages of their holdings;
 - (15) The main reasons of the board of directors for approval of the merger;
 - (16) The place and time for convening the general meeting, the quorum and majority required for the approval of the merger thereat and at a deferred general meeting.
- (b) The merger report shall be signed by the company filing the report, stating the names of the signatories and their position in the company; if the report is filed as a joint report as stated in section 37E(c), the names of the signatories on behalf of each of the companies and their position in the companies shall be stated.

- (c) A notice that will be published with regard to the convening of a general meeting for approval of a substantial merger shall include the details included in sub-regulations (a)(1), (14) and (15), the main terms of the merger agreement and the date for determining the entitlement of the shareholders to vote at the general meeting, as stated in section 182 of the Companies Law.

Consideration in securities of the takeover company

(amended: 5764)

- 37G. If the consideration, in whole or in part, is in securities of the takeover company, details shall be given in the merger report of the terms of the securities that it is proposed to issue, their quantity and the percentage that they constitute out of the voting rights and the issued and paid-up capital of the company after the merger and also with full dilution; when the proposed securities are -
- (1) Shares - details shall be given of the average price of a share in the six months preceding the date of publishing the report, taking into account any distribution, split or issue of rights, the share price shortly before the decision of the board of directors concerning the proposal and the price shortly before publication of the report;
 - (2) Options - details shall be given of the price of the option, if options from that series are listed for trading on the Stock Exchange, and the share price, shortly before the decision of the board of directors concerning the proposal and also shortly before publication of the report;
 - (3) Securities that are convertible into shares — details shall be given of their average price in the three months preceding the date of publishing the report and their price shortly before publication of the report, all of which if securities from that series are listed for trading on the Stock exchange;
 - (4) In a series where securities are listed for trading on the Stock Exchange - details shall be given of the ratio in percentages between the price of the securities being proposed and the price on the Stock Exchange of securities from that series shortly before the publication of the report.

Consideration in cash

(amended: 5764)

- 37H. If the consideration, in whole or in part, is in cash, details shall be given in the merger report of the amount of the consideration, the dates for the payment thereof and the terms of payment.

Consideration in a waiver of a liability

(amended: 5764)

- 37I. If the consideration, in whole or in part, is in a waiver of a liability, the details of the liability and the waiver shall be described in the merger report.

Consideration in securities or activity of a corporation

(amended: 5764)

- 37J. (a) If the consideration, in whole or in part, is in securities of a corporation or a transfer of the main activity of a corporation which is a controlled company and the consideration as aforesaid constitutes a substantial part of the takeover company, the merger report shall include a description of the corporation as stated in regulation 37F(a)(12) and wherever it says there 'the target company,' this shall be read as if it says 'the corporation,' and also financial statements of the corporation as stated in regulation 37M, except for the demand to include the information in regulation 37N.
- (b) If the corporation is a reporting corporation, the provisions of regulation 37O shall apply, mutatis mutandis.
- (c) If the consideration, in whole or in part, is in securities of a corporation which is not a controlled company and the consideration as aforesaid constitutes a substantial part of the takeover company, the merger report shall include all the details stated in sub-regulations (a) and (b), but if these details are not in the possession of the takeover company, notwithstanding efforts that it made to obtain them, the merger report shall include every detail that is in the possession of the takeover company concerning the aforesaid corporation.

Consideration in another asset

(amended: 5764)

- 37K. (a) If the consideration, in whole or in part, is the transfer of the activity of a corporation which does not amount to its main activity, and the consideration as aforesaid constitutes a substantial part of the takeover company, a description shall be given in the merger report of the activity as stated in the first part of the Schedule to the Offering Regulations, in so far as each matter set out therein concerns the corporation and is material to the business or activity of the corporation; the description shall be given with regard to the period beginning two years before January 1 of the year in which the merger report is filed and ending shortly before the date of filing the merger report.
- (b) If the consideration, in whole or in part, was in an assets which does not comply with the conditions prescribed in regulation 37J or in sub-regulation (a), the merger report shall include a description of the asset, including the rights and liabilities accompanying it or involved in transferring it.

Professional opinion

(amended: 5764)

- 37L. (a) If the value of the consideration was determine also on the basis of a

- professional opinion, the opinion shall be included in the report.
- (b) The opinion shall include, inter alia, the following details:
 - (1) A personal signature of the person giving the opinion, stating his name and the date of the signature;
 - (2) The prior consent of the person giving the opinion that it shall be included in the merger report;
 - (3) If an undertaking was given to indemnify the person giving the opinion for his opinion, this fact shall be stated and details shall be given of the terms of the indemnification and the identity of the person giving the indemnity;
 - (4) As of what date the value of the consideration determined in the opinion is correct (hereafter - the validity date);
 - (5) Details of the facts, assumptions, calculations and forecasts on which the person giving the opinion relied, the method that was used in the opinion and the reasons for choosing it.
 - (c) If the opinion does not include the details stated in sub regulation (b)(5), the company shall complete them in the merger report.
 - (d) If the validity date preceded the date of the decision concerning the merger by more than ninety days, this shall be stated in the report, and the following shall also be stated:
 - (1) The period which passed since the validity date until the date of the decision concerning the merger;
 - (2) Changes that occurred after the validity date which may change the value of the consideration that was determined in the opinion, and the reasons of the board of directors for relying on the opinion notwithstanding these changes.
 - (3) Changes that occurred after the validity date that may change the value of the consideration that was determined in the opinion, and the reasons of the board of directors for relying on the opinion notwithstanding these changes.
 - (e) If the validity date preceded the date of convening the general meeting by more than ninety days, details shall be given of the changes as aforesaid in sub-regulation (d)(2) from the validity date until the date of filing the report.

Financial statements

(amended: 5764)

- 37M. The merger report shall include financial statements of the target company in accordance with what is prescribed in regulation 56(a), (b), (c) and (d) of the Securities Regulations (Details, Structure and Form of Prospectus), 5729-1969, but wherever it says “date of the prospectus” this shall be read as if it says “date of the merger report”, and the following shall apply:
- (1) Annual financial statements shall be prepared in accordance with the Financial Statements Regulations and interim financial statements shall be prepared in accordance with these regulations;

- (2) The financial statements shall be audited or reviewed, as applicable, in accordance with accepted auditing standards in Israel, and they shall be prepared in accordance with the accounting rules that apply to a reporting corporation;
- (3) An accountant's report of the auditor or a review report, as applicable, shall be included in the merger report, and they shall state that the reports comply with what is stated in paragraphs (1) and (2), and that the person giving them agreed in advance to their inclusion in the report.

Pro forma information

(amended: 5764)

- 37N. (a) If the financial statements included a note which contains pro forma figures (hereafter — the pro forma note):
- (1) A preliminary paragraph shall be added to the note, giving details of the following:
 - (a) The main points of the merger transaction;
 - (b) The names of the merging companies;
 - (c) The periods for which the pro forma figures are presented;
 - (d) The assumptions on the basis of which the pro forma note was prepared;
 - (2) The pro forma note shall be presented in column format, setting out the historic figures of the merging companies, pro forma adjustments and the pro forma results;
 - (3) An explanation shall be given of the adjustments that appear in the pro forma adjustments column.
- (b) If the financial statements do not include a pro forma note, which relates to each of the periods appearing in the profit and loss statements included in the financial statements, the financial statements shall give the following details:
- (1) The main points of the merger transaction;
 - (2) The names of the merging companies;
 - (3) Details of the transactions between the merging companies for the aforesaid periods;
 - (4) A description of the collective value (synergy) that exists in their activity;
 - (5) A description of the plans of the merging company for integrating their activity, stating the estimated effect of implementing these plans on the profitability of the takeover company.
- (c) If pro forma information concerning the merger is included in the financial statements of the takeover company only and not in the statements of the target company, the financial statements of the takeover company shall also be included in the merger report; if the takeover company is a reporting corporation, as inclusion as aforesaid may be done by way of reference, provided that the financial statements which are included by

way of reference include pro forma information as set out in sub-regulations (a) or (b).

Target company which is a reporting corporation

(amended: 5764)

- 37O. If the target company is a reporting corporation, the merger reports shall be regarded as complying with the requirement of regulation 37F(a)(11) and (12) if it includes the following:
- (1) The periodic report of the target company which is required in accordance with these regulations for the last year that ended before the date of publishing the merger report, interim financial statements and immediate reports that were published after the date of the periodic report as aforesaid; an inclusion as aforesaid may be done by way of reference, provided that the aforesaid financial statements include the information in regulation 37N;
 - (2) A description of the target company as stated in part one of the Schedule of the Offering Regulations.

Article C:

A merger that is not substantial

Report of a merger that is not substantial

(amended: 5764)

- 37P. (a) A report of a merger that is not substantial shall give details of:
- (1) The names of the parties to the merger
 - (2) The main points of the merger agreement;
 - (3) The tax ramifications of the merger on the takeover company;
 - (4) The amount and percentage of the holdings of principal shareholders in the takeover company in the issued and paid-up capital and the voting rights -
 - (a) Before the merger;
 - (b) After the merger;
 - (c) After the merger, on the assumption that all the securities that are convertible into, or realizable for, shares of the company are converted and realized;
 - (5) Details of the consideration; if the consideration is an asset which is not cash, details shall be given of the main facts concerning the asset; if the consideration is securities of the takeover company, details shall be given of their terms, quantity and the percentage that they constitute of the voting rights and of the issued and paid up capital of the company after the merger and with full dilution;
 - (6) The position of the board of directors on the question whether there is a reasonable concern that as a result of the merger the

- takeover company will not be able to pay its liabilities to its creditors, after the merger;
- (7) Approvals that are required for the merger or conditions prescribed for its implementation, whether they were received or fulfilled or not, on what date they are expected to be received or fulfilled;
 - (8) New restrictions that exist or that are expected to apply, to the best of the company's knowledge, to the takeover company as a result of the merger, including:
 - (a) A demand by creditors for payment of loans;
 - (b) Restrictions on the creation of charges;
 - (c) The credit rating of the company;
 - (9) The name of each director, controlling owner and principal shareholder who has a personal interest in the merger, and the nature of that interest;
 - (10) The fact that the merger requires approval under section 320(c) or (d) of the Companies Law, the terms of the required approval under the aforesaid law and the facts on account of which it is required, and also the names of the holders of the shares of the takeover company and the shares of the target company and the amounts of their holdings;
 - (11) The plans of the takeover company, if any, with regard to securities that are convertible into, or realizable for, shares of the target company;
 - (12) The reasons why the merger is not substantial, where one or more of the conditions in regulation 37B(a) is fulfilled;
 - (13) The main reasons of the board of directors for approval of the merger;
 - (14) The place and time for convening the general meeting, the quorum and majority required for the approval of the merger thereat and at a deferred general meeting.
- (b) The merger report shall be signed by the company filing the report, stating the names of the signatories and their position in the company.
 - (c) A notice that will be published with regard to the convening of a general meeting for approval of a merger that is not substantial shall include the details included in sub-regulations (a)(1), (2), (10) and (13) and the date for determining the entitlement of the shareholders to vote at the general meeting, as stated in section 182 of the Companies Law.

Article D: Miscellaneous Provisions
Reporting under another law
(amended: 5764)

- 37Q. (a) If the merger is subject to the Securities Regulations (Private Offering of Securities in a Listed Company), 5760-2000 (hereafter — Private Offering Regulations), or the Securities Regulations (Transaction between a

Company and a Controlling Shareholder therein), 5761-2001 (hereafter — the Transaction with a Controlling Shareholder Regulations), or there is a duty to publish a prospectus, a report shall not be filed under these regulations, but the details set out in these regulations shall be included in a report under the Private Offering Regulations or in a report under the Transaction with a Controlling Shareholder Regulations or in a prospectus, as applicable.

- (b) Nothing in the provisions of this chapter shall derogate from the duty to file an immediate report pursuant to regulation 36, if there is a duty to do so under the aforesaid regulation.

Liquidation of a target company without winding-up under a court order
(amended: 5764)

- 37R. In a liquidation of a target company without winding-up under section 351(a)(4) of the Companies Law, the provisions of these regulations shall apply, mutatis mutandis, and the merger report shall be filed within two business days of the date on which the application under section 350 of the Companies Law was first filed in the court.

Immediate report of the results of the meeting
(amended: 5764)

- 37S. No later than one business day after a general meeting that was convened to approve a merger, the reporting corporation shall file an immediate report with regard to the results of the vote at the meeting.

Chapter D:
Quarterly reports
[amended: 5749(2), 5764(3)]

Definition
[amended: 5754, 5764(3)]

38. In this chapter:
‘*interim report*’ or ‘*report*’ - interim financial statements.
‘*Quarterly report*’ - report for a period of a quarter.

Contents of quarterly report
[amended: 5764(3)]

- 38A. A quarterly report shall include the following: interim financial statements, a report of the board of directors for the interim period and any other information required by this chapter.

Date of filing quarterly reports

[amended: 5749(2), 5756, 5763(2), 5764(3)]

39. (a) The corporation shall file a quarterly report with the Authority, within two months of the date of the report, provided that the quarterly report shall be filed within three days of the date on which the accountant of the corporation signed the review report that relates to the interim financial statements.
- (b) The date of the signature on the quarterly report shall not precede the date on which it is filed with the Authority and the Stock Exchange by more than three days.

Update of information that was included in the period report

[amended: 5764(3), 5766]

- 39A. A quarterly report shall include every material change or innovation that occurred in the business of the corporation with regard to any matter that should be described in the periodic report.

Principles for preparing the report

(Amended: 5757, 5767 -2006)

40. (a) An interim report shall be prepared in accordance with accepted accounting principles for financial statements for interim periods;
- (a1) the currency of the intermediate statements shall be as stipulated under regulation 4 of the Financial Statements Regulations;
- (b) Items in an interim report shall be sorted into categories and presented in accordance with the Financial Statements Regulations.
- (c) The interim report shall include the balance sheet as of the date of the report.
- (d) A profit and loss statement, report of changes in net worth and a cash flow report shall be included -
- (1) In an interim report for the first quarter - for the first quarter;
- (2) In an interim report for the second quarter - for the second quarter and for the period of six months ending on the date of the report for the second quarter;
- (3) In an interim report for the third quarter - for the third quarter and for the period of nine months ending on the date of the report for the third quarter

Interim financial statements of a foreign issuer

[amended: 5764(2)]

- 40A. (a) Notwithstanding what is stated in regulation 40(a), interim financial

statements of a foreign issuer may be prepared in accordance with international accounting standards or accepted accounting rules in the United States.

- (b) For the purpose of interim financial statements of a foreign issuer, which are prepared in accordance with international accounting standards or accepted accounting rules in the United States, the following provisions shall apply:
- (1) The statements shall include a note of the adjustment for the accepted accounting standards; for this purpose, “adjustment” - for profit and net worth;
 - (2) The statements may be written in a language other than Hebrew, provided that they include a translation into Hebrew alongside them and a confirmation of the translator of the accuracy of the translation and of his consent to the inclusion of the translation and the confirmation in the statements;
 - (3) If the currency in which the statements are prepared is Securities (Periodic and Immediate Reports) Regulations, 5730-1970 48 not the new shekel, the statements shall be included in shekel values; if a translation into Hebrew is attached to the statements under paragraph (2), it shall also include values in new shekels;
 - (4) The review report of the auditor shall state the accounting rules according to which the financial statements were prepared and the auditing standards in accordance with which the interim financial statements were reviewed;
 - (5) The review statements of the auditor may be in a language other than Hebrew, provided that it includes a translation into Hebrew alongside it and a confirmation of the translator of the accuracy of the translation and of his consent to the inclusion of the translation and the confirmation in the statements;
 - (6) The auditor or accountant shall state that nothing came to his attention that indicated that the financial statements not were prepared in accordance with the provisions of these regulations.

Comparative statements

(amended: 5757)

41. (a) Alongside every amount in the balance sheet shall be presented the corresponding amount in the balance sheet of the corresponding quarter in the reporting year and the whole of the reporting year.
- (b) In the sections of the statements stated in regulation 40(d) alongside every amount shall be presented the corresponding amount in the corresponding periods in the reporting year and the whole of the reporting year.

Demands for details

(amended: 5757)

42. (a) An interim report shall include these details:
- (1) If a change occurs during the reporting period in the accounting rules or in the manner of applying them in comparison with the previous reporting period whose figures are included in the statements, excluding a change as stated that must be reflected by way of presenting the figures differently, the change shall be explained, giving the reasons for it and stating its effect, in figures, on the profit before deduction of taxes on income, the net profit, the profit per share and other items in the statements every quarter from the end of the reporting year;
 - (2) The nature of a new presentation in an interim report shall be explained, giving the reasons for it and stating its effect, in figures, on each of the items presented differently in the statements, on the net profit and on the profit per share for each of the quarters whose figures are included in the interim report; this sub-paragraph shall not apply to details that were given in a previous interim report;
 - (3) If an accounting assessment is changed in the quarter, and the change has an effect on the report or on a report in the following quarter or quarters in the accounting year, the nature of the change shall be explained, giving the reasons for it and stating its effect, in figures, on the items in the balance sheet and the profit and loss statement, including the profit per share;
 - (4) Any amount that is presented or classified differently shall be highlighted.
- (b) Details shall be given separately in notes, and there is no duty to include in the report details that in the circumstances of the case are not material.

Bank or insurer

[amended: 5748, 5749(2), 5754, 5767-2006]

43. The provisions of regulations 40, 40(a), 41, 42, 44, 45, 48 and 49 shall not apply to a corporation that is a banking corporation or an insurer, and it shall prepare the interim report in accordance with the provisions and guidelines of the Supervisor of Banks or the Supervisor of Insurance, as applicable.

Attachment of statements of an included company

(amended: 5763, 5766)

44. (a) The terms in this regulation that are not defined in these regulations shall be interpreted in accordance with their definition or their meaning, as applicable, in regulation 23 of the Financial Statements Regulations.

- (b) An interim report of an included company shall be attached to the corporation's report, for the same quarter, as stated in sub regulations (e) to (j), if one of the following is fulfilled:
- (1) The amount in the balance sheet that represents the investment of the corporation in the included company, in accordance with regulation 22 of the Financial Statements Regulations, constitutes, in its absolute value, ten per cent or more of the total assets in the balance sheet of the corporation, in its absolute value;
 - (2) The amount that was included in the profit and loss statement, with regard to the cumulative interim period, for the corporation's investment in the included company, in accordance with regulation 46(a)(4) of the Financial Statements Regulations, constitutes, in its absolute value, ten per cent or more of the profit of the corporation for that period, in its absolute value;
 - (3) The included company is of significant importance for the business of the corporation or for its activity in their existing format or in their format as planned for the Securities Regulations (Periodic and Immediate Reports), 5730-1970 50 future;
 - (4) In the annual financial statements for the year in which the quarter was included, it is expected that the conditions stated in paragraphs (1) or (2) will be fulfilled, mutatis mutandis'
 - (5) The company became an included company of the corporation after the date of the report and what is stated in paragraph (3) is fulfilled.
- (c) An interim report of an included company shall not be attached to the report of the corporation, notwithstanding what is stated in sub-regulation (b), if one of the following is fulfilled:
- (1) The interim report of the included company is insignificant in relation to the report of the corporation;
 - (2) If what is stated in paragraphs (3) to (5) of sub-regulation (b) is not fulfilled and in the reporting year what is stated in paragraphs (1) or (2) of sub-regulation (b), mutatis mutandis, is not fulfilled;
 - (3) After the date of the report, the company ceased to be an included company of the corporation.
- (d) The report of the corporation shall give details of the names of the included companies whose interim report is attached thereto; if an interim report of an included company is not attached because of what is stated in sub-regulation (c), details shall be given of the name of the included company and the paragraph in sub-regulation (c) on account of which the report was not attached.
- (e) An interim report of an included company shall be attached when it has been prepared in accordance with the provisions of this chapter, or when it has been prepared in accordance with international accounting standards, which shall be in accordance with the accounting rules according to which the corporation included its investment in the included company; in this sub-regulation, *'the provisions of this chapter'* -

excluding the duty to attach an interim report of an included company under this regulation and excluding the duty to attach an interim report of a guaranteed company under regulation 45.

- (f) Notwithstanding what is stated in sub-regulation (e), with regard to the format of the inclusion, it is permitted to attach an interim report of an included company, when it has been prepared in accordance with foreign accounting rules, provided that the provisions of regulation 23(f) of the Financial Statements Regulations are fulfilled, mutatis mutandis.
- (g) If the attachment of an interim report of an included company was not preceded by the attachment of its annual financial statements, the interim report of the included company shall also include an explanation of the accounting policy that was implemented in its last annual financial statements.
- (h) Notwithstanding the aforesaid under sub regulation (e), if the currency of the included company's report is not the new shekel (NIS), the exchange rate of the currency of the report shall be stated as of the date of the balance, and the change that occurred to it during the reporting period.
 - (i) A review report of an accountant shall be attached to the interim report of the included company.
 - (j) If the language of the report of the included company is not Hebrew or English, a translation of the statements into Hebrew shall be attached, including a certificate of the translator with regard to the accuracy of the translation containing his consent to the attachment of the translation and the aforesaid certificate; if the statements that were translated into Hebrew are duly signed, attaching the statements in the original language is not required; for this purpose, 'report' - including a review report of the accountant.
- (k) If the chairman of the ISA is persuaded that on the date of filing the report a certain corporation was unable to attach an interim report of a company which complied with what is stated in sub-regulation (b)(5), he may order it to publish an interim report of that company in an immediate report within a period that he shall stipulate.
- (l) The provisions of this regulation shall not apply to an included company which is itself a reporting corporation.

Attachment of statements of a company guaranteed for an unlimited amount

[amended: 5757, 5764(3)]

- 45. (a) If financial statements of a guaranteed company within the meaning thereof in sub-paragraphs (b) or (d) of regulation 36(b)(2) of the Financial Statements Regulations are attached to the financial statements of the corporation for the reporting year, an interim report of the guaranteed company for the same quarter shall be attached to the interim report of the corporation, prepared in accordance with the provisions of this chapter; if the guarantee has expired, or what is stated in subparagraph (b) or (d) of

regulation 36(b)(2) of the Financial Statements Regulations no longer applies, there is no obligation to attach statements as aforesaid, provided that the matter is stated in the notes to the corporation's statements.

- (b) The authority may exempt a corporation from attaching statements of a guaranteed company as stated in sub regulation (a) and it may make the granting of the exemption conditional upon stating details about the guaranteed company.

Approval and signing of the report

[amended: 5748, 5754, 5756, 5763(2)]

- 46. The report shall be signed, on behalf of the corporation, by the chairman of the board of directors, the general manager and the most senior officer in the field of finance, or by a director whom the board of directors authorized instead of one of the aforesaid for the purpose of signing the report for a certain date, and the provisions of regulation 5 shall apply.

Review of accountant

(amended: 5757, 5766(2)) (paragraph c – temporary regulations)

- 47. (a) An accountant's opinion shall be attached to the interim report, and this shall include confirmation that the report was prepared in accordance with these regulations.
- (b) The accountant shall confirm the preparation of the opinion with his signature and he shall state alongside this the date of his signature.
- (c) financial statements, for the year prior to the transitional year, shall be presented alongside the explanations required in accordance with accounting rules pertaining to first time adoption of the International Standards;

for the purpose of this clause:

"accounting rules" – as defined under financial statements regulations;

"transitional year" – as defined under regulation 59 of the Securities Law Regulations (Details, Structure and Form of Prospectus) (Temporary Regulations) 5766-2006

Report of the Board of Directors for the Interim Period

[Amended: 5754, 5762(2), 5762(3), 5766 (2)]

- 48. (a) A report of the board of directors for the interim period shall also be attached to the interim financial statements, and this shall contain explanations of the events and changes that occurred in the state of the corporation's business during the interim period and in the cumulative period since the end of the last reporting year until the date of the report whose effect on the figures in the interim financial statements is very significant. The report of the board of directors for an interim period shall

also include details about exposure to market risks and the methods of managing them.

- (b) The scope of the report of the board of directors for the interim period shall be limited, and it shall be prepared on the assumption that the reader also has the report of the board of directors for the last reporting year in front of him, and that it is not necessary to repeat what has already been included in that; the report of the board of directors for the interim period which is submitted for the first time by a corporation that offered securities to the public and has not yet published a report of the board of directors shall be prepared on the assumption that the reader also has the prospectus in front of him.
- (c) The report of the board of directors for an interim period shall be prepared as set out below:
 - (1) The explanations shall relate to each of the matters specified in regulation 10(b)(1).
 - (2) The explanations shall be prepared in comparison with the interim periods whose statements were included as comparative figures in the interim financial statements.
 - (3) Inter alia, mention should be made of the following:
 - (a) Seasonal effects on the results of the corporation's activity;
 - (b) Unusual or unique events;
 - (c) Events that may indicate financial difficulties;
 - (d) An explanation of the matters to which the accountant of the corporation drew attention in his opinion about the interim financial statements.
 - (4) Reference shall be made to material changes that occurred in the matters set out in paragraph (4) of regulation 10(b) and the criteria of the board of directors in making these changes or recommending them shall be explained;
 - (5) Reference shall be made to events that occurred after the date of the balance sheet that are mentioned in the interim financial report.
 - (6) Reference shall be made to very material changes that occurred during the interim period and the cumulative period since the end of the last reporting year until the date of the report with regard to the matters specified in regulation 10(b)(6);
 - (7) Reference shall be made to very significant changes that occurred during the interim period and during the cumulative period from the end of the preceding reporting year until the date of the report with regard to exposure to market risks and to the methods of managing them,⁷ as set under the Second Schedule⁸, mutatis mutandis;
 - (8) where the board of directors had changed the designation pertaining to the minimal number of directors possessing

⁷ this regulation relates to periodic reports for the year ending on 31.12.2001 until the year ending on 31.12.2003

⁸ see application regulations under Second Schedule

- accounting and financial expertise, during the reporting period - the change should be stated together with the board's reasons for the change;
- (9) where the number of directors possessing accounting and financial expertise had fallen below the minimal number - the reasons for it should be stated, along with the actions the company is planning to take in order to comply with the minimal number and the proposed timetable stipulated for it;
 - (10) update shall be submitted pertaining to any possible event or issue that comes under regulation 37A2 (a)
- (d) The provisions of regulation 10(c), (d) and (e) shall apply to the report of the board of directors for the interim period, mutatis mutandis.
 - (e) This regulation shall not apply to:
 - (1) a banking corporation
 - (2) an insurer
 - (3) information in the periodic report of a corporation that had consolidated or consolidated on a relative basis a banking corporation, as far as the aforesaid information relates to the banking corporation;
 - (4) information in the periodic report of a corporation that had consolidated or consolidated on a relative basis an insurer, as far as the aforesaid information relates to the insurer;
 - (5) information within the periodic report of a corporation that had consolidated or consolidated on a relative basis a corporation which comes under the provisions of Chapter C5 of the Law (under this regulation – consolidated corporation), providing the following takes place within the aforesaid information:
 - a. pertains to consolidated corporation
 - b. is not required under disclosure according to a foreign law, which applies to the aforesaid consolidated corporation.

Valuation in quarterly reports

(amended: 5766(2))

- 49. Material valuation which was used as a basis for stipulating reported values in a report, including a previous valuation and including a stipulation that there is no need to change reported values in the report, should be attached by the corporation to the quarterly report and provisions of regulation 8B shall apply to the aforesaid valuation, mutatis mutandis.

First Schedule
[Regulation 10(b)(1)]
[amended: 5764(3)]

Matters that should be discussed in the report of the board of directors:

1. (*Repealed*).
2. *Financial position* - explanations shall be given with regard to developments that occurred in the balance sheet items and the following matters:
 - (a) A purchase or realization of fixed assets whose influence on the activity of the corporation in the future may be material - details shall be given of the purpose of the purchase or the realization, such as: replacement of one manufacturing factor with another manufacturing factor in the manufacturing process; expanding the capacity for existing manufacturing or for manufacturing a new product; replacing existing fixed assets in order to preserve manufacturing capacity; and mention shall also be made of the sector of activity for which the purchase will be used or from which the assets were depleted, and the manner of financing the purchase;
 - (b) The exposure as reflected in the explanations of the linkage balance included in the financial statements, and the steps taken by the corporation to protect itself.
3. *Results of the activities* - explanations shall be given of developments that took place in the items of the profit and loss statement.
4. *Liquidity* - explanations shall be given of the liquidity of the corporation and the cash flow from its current activity, its investment activity and its financing activity, and the following matters shall also be explained:
 - (a) The factors that created a surplus or a deficit in cash flow deriving from the current activity and the use made of such a surplus or the steps taken in order to reduce the said deficit;
 - (b) The influence of debt scheduling arrangements that the corporation gave or received on its liquidity.
5. Sources of financing — explanations shall be given of the corporation's sources of capital, the cost thereof and changes that occurred thereto, while relating, inter alia, to the following:
 - (a) The issue of securities;
 - (b) The exercise of options or conversion of securities that can be converted into shares;
 - (c) The average amount in the reporting year of long-term loans. The calculations may be made on the basis of monthly figures;
 - (d) The average amount of short-term credit. The calculations may be made on the basis of monthly figures;
 - (e) The average amount in the reporting year of credit from suppliers and the average amount in the reporting year of credit from customers, or alternatively, the period of the said types of credit, all of which if there is a material difference between them. The calculations may be made on the basis of monthly figures.
6. An explanation shall be given of very significant figures that appeared within the

framework of the description of the corporation's business in accordance with regulation 8A of the main regulations and for which no explanation was given within the framework of paragraphs 2 to 5.

Second Schedule [Regulations 10(b)(7) and 48(c)(7)]

Details about exposure to market risks and methods of managing them that shall be included in the report of the board of directors:

Definitions

[amended: 5762(3)]

1. In this schedule -

'person responsible' - the person responsible for management of market risks in the corporation;

'linkage base' - an index, rate or price to which a financial instrument is linked or in which it is stated, including various foreign currencies, exchange rates of various currencies, price indices, securities indices, securities that are a current investment;

'protection' - measures adopted to offset market risks;

'current investment', *'non-financial balances'*, *'financial asset'*,

'financial liability' and *'capital instrument'* - according to their meaning in accepted accounting principles and accepted reporting principles;

'financial instrument' - a financial asset, financial undertaking or capital instrument;

'group of derivatives' - type of derivatives which have similar characteristics, such as options, futures, and exchange contracts;

'fair value of derivative' - the amount for which it was possible to buy or sell a derivative between a voluntary purchaser and a voluntary seller; for this purpose, the market price will be examined on an active market of the derivative, but the possible effect of the extent of the transaction, if it were to be carried out, on the market price will not be taken into account; if there is no such market price, the quotes of the Bank of Israel or an accepted source in international trade with regard to the price of the derivative or the closing price of the position of a derivative, in a transaction with the party for whom the position is open, shall be used; if it is not possible to determine the fair value in accordance with the aforesaid, use shall be made of a valuation of the corporation, relying, in so far as possible, on an accepted model;

'nominal value' - the nominal value of a financial instrument;

'position of a derivative' - a short position of a derivative or a long position of a derivative;

'short position of a derivative' - a situation in which a fall in the rate of the underlying asset of a derivative or in its price does not reduce the economic value embodied in the derivative for the holder thereof or the writer thereof;

'long position of a derivative' - a situation in which an increase in the rate of the underlying asset of a derivative or in its price shall not reduce the economic value embodied in the derivative for the holder thereof or the writer thereof.

Details of the report

[amended: 5762(3)]

2. The following details shall be set out, in their order in this schedule, and together with the title of each section:
 - a. The person responsible for managing market risks in the corporation -
The name of the person responsible; if the person responsible is not a senior officer of the corporation, details shall be given of his education, qualifications, business experience in the last five years and his other functions in the corporation; if the person responsible is a senior officer in the corporation, his function as the person responsible shall be stated within the framework of the details included with regard to him in the periodic report, under regulation 26A, and a reference shall be made to the place in the periodic report where the details about him are stated; if there are several persons responsible, the said information shall be given with regard to each of them individually, and in addition to this, the division of responsibility between them and the manner of making decisions shall be stated; if a person responsible has not been appointed, this fact shall be stated and the reason for it shall be given.
 - b. Description of market risks:
A detailed description of the market risks to which the corporation is exposed; the description shall relate also to information about market risks that must be included in the financial statements; in a corporation whose activity in the field of derivatives is not designated for protection, this fact shall be stated expressly in addition to the said description.
 - c. The policy of the corporation in managing market risks:
 - (1) The policy of the corporation in managing market risks, including, if it designates the management of market risks to accounting exposure or economic exposure - where there is a conflict between them, and also a quantitative statement of the degree of exposure which it regards as acceptable and the variables involved in the decision in this respect.
 - (2) A description of the division of responsibility and the scope of authority in the corporation, in so far as concerns the existing exposures, their increase, opening up new exposures and also activities aimed at reducing exposures, stating quantitative restrictions as determined by the corporation, if it made such a determination; if no quantitative restrictions were determined as stated, this fact shall be stated and the reason for it shall be given;

the body responsible for determining the said restrictions shall be stated; in addition, a description shall be given of the mechanisms allowing an immediate response to unusual developments in the various markets and also a description of events that will lead to such developments being discussed before the board of directors.

- (3) The investment policy of the corporation in bodies whose main business is transactions in derivatives and short sales (such as hedge funds).
 - (4) A description of changes that took place in the reporting year in a policy of managing market risks.
- d. Supervision of market risks management policy and the method of implementing it. A description of the method of implementing the policy and the means of supervision, including:
- (1) The manner, scope and frequency that the board of directors actually considered the issue of management of market risks in the reporting year;
 - (2) Internal control mechanisms in the corporation that are designed to prevent deviations from its policy of managing market risks, and a statement of the significant deviations from the planned policy that occurred in the reporting year;
 - (3) A corporation that does not keep original and detailed internal documentation, with regard to the designation of all the financial instruments for protection, in those cases where they are designated for protection - shall state this; in this respect, '*original and detailed internal documentation*' documentation that indicates the connection between a financial instrument and the exposure against which it is intended to protect, which is prepared as close to, in so far as possible, the date of connecting the transaction, the date on which the designation was determined or any change thereto.
- e. Report of linkage bases
A report of the linkage bases as of the end of the reporting year and the preceding reporting year, as set out below:
- (1) The items in the corporation's balance sheet shall be split up and presented in columns, as set out in paragraph (2), according to the linkage bases and according to the balances of the financial instruments that are not linked; a column of balances shall be presented that constitutes the difference between the total of all the columns stipulated and the items of the balance sheet, and at the end a column shall be presented that sums up all the said columns and which is identical to all the balances in the corporation's balance sheet; in addition, for each column the total net balance sheet balance (assets less liabilities) shall be presented (in this schedule — the total net balance sheet balance).

- (2) Every linkage base for which the total of all the financial assets or the financial liabilities stipulated or linked thereto exceeds five percent of the total of all the financial assets or financial liabilities, respectively, shall be presented in a separate column; with regard to each linkage base presented in a separate column as stated, both the assets and the liabilities shall be included; the remaining linkage bases shall be presented in one column. For the purpose of determining the relevant linkage base for a specific balance, account shall be taken of data such as the realization or payment currency and also contractual terms that affect the realization or the payment; a balance which contains different parts that are stated or linked to a number of different linkage bases shall be split up into linkage bases according to the manner in which it was calculated for the purpose of presenting it in the financial statements; if there is an option with regard to the linkage of a balance according to its terms between various linkage bases, it shall be presented according to its calculation for the purpose of presenting it in the financial statements.
- (3) If, in the estimation of the board of directors, the total net balance sheet balance according to any linkage base in the linkage bases report at the end of reporting year, including a linkage base that does not appear therein, reflects exposure to market risks that is significantly different from the exposure that characterizes the reporting year, one of the following, in addition thereto, shall be presented:
 - (a) The average total net balance sheet balance for the period with the required linkage bases, with a statement of the frequency of the measurement;
 - (b) The representative range for the period of the total net balance sheet balance with the required linkage bases.
- (4) If, in the estimation of the board of directors, the total net balance sheet balance, according to any linkage base in the linkage bases report at the end of the reporting year, including a linkage base that does not appear therein, reflects an exposure to market risks that is very significantly different from the maximum exposure in the reporting year, there shall be presented, in addition thereto, the total net balance sheet balance as of the date of the maximum exposure with the required linkage bases, with details of the frequency of the measurement, all of which according to the information in the possession of the corporation for the purpose of surveillance of the exposure to market risks and management thereof, in so far as this exists; a corporation that does not have any such information in its possession or which makes no use of it for the purpose of surveillance of its exposure to market risks and the management thereof — shall state this and shall not be liable to present any information as stated.

f. Maximum holding of derivatives

Figures relating to the maximum holding of derivatives in the reporting year. Details shall be given of the highest value in the reporting year and the preceding reporting year of the total of all the long positions of derivatives and all the total of all the short positions of derivatives. The measurement of the figures required for presenting the positions of derivatives shall be given in nominal values. Explanation shall be given with regard to the said details, including with regard to the connection between them and other assets and liabilities, when such a connection exists. For the purpose of measuring the maximum holding as stated, a derivative whose base asset is an interest rate shall not be included; a collection of figures for the purpose of the said measurements shall be made on the basis of their nominal value, translated into new shekels on the date of the measurement; a derivative composed of two or more plain vanilla derivatives, shall be split up into its constituents; the frequency of making the measurement shall be stated, which shall be made at least once a week, with a fixed time interval between measurements; where the frequency of making the measurements is less than at least once a day, this shall be stated and an explanation shall be given as to how the corporation controls the exposures in the absence of information; if quantitative restrictions are determined with regard to positions as stated in section c(1), the frequency of checking that they are observed shall be stated and details shall be given of the measures taken in order to prevent or to reduce deviations therefore between the dates of checking.

g. Positions in derivatives

A detailed table of positions in derivatives as of the end of the reporting year in the format of the table set out in paragraph (6), as stated below:

- (1) Each group of derivatives shall be presented in a separate group of lines which is composed of a line in which a report is given of the derivatives which are included in the group and which are recognized in the financial statements as accounting protection, a line in which a report is given of derivatives as stated that are not recognized as accounting protection but which are designated for protection, and a line in which details are given of those that are held other than for the purposes of protection; purchase options and sales options shall be presented separately from one another;
- (2) Each line shall be split up into columns according to the base assets;
- (3) For each line in the table and for each base asset, figures shall be given of the total nominal value of the derivatives, separating between the derivatives for up to a period of one year (from the end of the reporting year) and derivatives for longer periods, and also separating between long positions and short positions according to the said time periods; a collection of the stipulated

figures shall be made on the basis of their shekel value on the date of the measurement; in addition to this, details shall be given of the total fair value of the derivatives, separating between a period of a year (from the end of the reporting year) and longer periods, and separating between long and short positions according to the said time periods;

- (4) An explanation shall be given for the positions, and if they are designated for protection, an explanation shall be given as to how they are used for this;
 - (5) If the fair value for a derivative according to this schedule is significantly different from the fair value stated with regard to that derivative in the corporation's financial statements, and in the view of the board of directors the figure appearing in the financial statements is a better reflection of the fair value of the derivative, the fair value according to the financial statements shall be presented in the table, giving explanations and reasons for this decision.
 - (6) The presentation of the table of positions in derivatives shall be made according to the following example:
\$ / Euro Fixed interest / variable interest
Nominal Fair value Nominal Fair Value
 - (7) A corporation that holds at the end of the reporting year five or less derivatives may present, instead of the detailed table of positions of derivatives, a description of each of the derivatives separately, with reference to the terms of the derivative (such as realization price, realization date, nominal value) and its fair value. An explanation shall also be given for the positions, and if they are designated for protection, an explanation shall be given as to how they are used for this.
- (h) Events after the balance sheet date
A description and explanation of events and significant changes in the matter of exposure to market risks and the management of market risks, which took place after the balance sheet date.

	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long	Short	Long
Not for protection purposes																
Swaps																
FRA																
CAPS																
Floors																
Other derivatives⁹																

⁹ Specify if significant pertaining to other derivatives

Additional information
[amended: 5762(3)]

3. A corporation that adds quantitative information with regard to exposure to market risks and the method of managing them, beyond what is required under section 2(e)-(g) (such as a sensitivity analysis or value at risk model) shall also describe the model and its limitations and the assumptions and parameters required for understanding the additional information.

Third Schedules
(Section 8B(d))
(Amendment: 5766(2))

Issues that should be addressed in attach material valuation:

Identification of the subject of valuation

1. Specification and identification of the subject of valuation;

Details of the agreement

2. Details of the agreement between the inviter of valuation and the appraiser, including the following:
 - (a) identity of the inviter corporation and the identity of the inviter organ within the aforesaid corporation that has decided upon the agreement with the appraiser;
 - (b) date of the agreement between the inviter of a valuation and the appraiser;
 - (c) reasons due to which the corporation has ordered the valuation;
 - (d) name of the appraiser, his signature and date of signing the agreement on the agreement; where the appraiser is a corporation, details of the actual appraiser and his signature should be attached;
 - (e) details of the appraiser's education
 - (f) prior agreement of the appraiser for the attachment of the valuation;
 - (g) conditions, if any, pertaining to the fees of the appraiser; including the influence, the aforesaid conditions have, on the results of the valuation;
 - (h) agreement, if any, for indemnity of the appraiser for services provided; where there was such an agreement, the details of indemnity should be disclosed in the valuation along with the identity of indemnity provider.

Stipulated valuation

3. Valuation (for this purpose, "valuation" – including minimal value), shall include details pertaining stipulated valuation, including the following:

- (a) valuation stipulated by the appraiser
- (b) validity date of the valuation
- (c) analysis of sensitivity to the value in accordance with material rules of the valuation
- (d) where the subject of the valuation is an item presented in financial statements of the corporation, its value should be presented as it appears in financial statements closest to the validity date of the valuation; where the subject of the valuation is a corporation, the financial statements should state the equity capital of the valuated corporation;
- (e) where the subject of the valuation is an asset traded on the stock exchange, the highest rate, the lowest rate and the average rate of the asset value during the six months preceding the validity date should be stated, by considering every division, split or issue of rights during the aforesaid period; for the purpose of this clause, "stock exchange" – as defined under section 50A(a) of the Law;
- (f) where a corporation is aware of prior transactions pertaining to the valuation, during the period of two years prior to the validity date, the aforesaid valuations should be presented;
- (g) where a stipulated valuation varied by 25% or more, from the average valuation on the stock exchange during the six months preceding the validity date or from the value derived from previous transactions, as aforesaid under clause (f), the difference between the aforesaid valuation and the valuation should be explained and justified;
- (h) where a stipulated valuation varied by 4% or more, from other valuations advertised in public as part of the valuation report, during the period of two years prior to the validity date, the data from other valuation reports and the premises on which they were based should be presented;
- (i) material changes within valuation, carried out following disclosure requirements or clarifications requested by the ISA or its staff member, authorized accordingly.

Method of evaluation

4. The valuation shall contain details pertaining to the method of evaluation, including the following:
 - (a) description of the asset – subject to the valuation; where the subject of the valuation is - activity, the analysis of the field and the business environment in which the subject of the valuation is active should be presented, as well as analysis of risks and opportunities facing it;
 - (b) facts, assumptions, calculations and prognoses on which the appraiser had relied;
 - (c) key factors that might affect the prognoses;
 - (d) assumptions and prognoses, submitted by the corporation, that are the basis for the valuation; the appraiser should state, in the valuation, whether

- material changes had been made in the aforesaid assumptions and prognoses for the purpose of the valuation, as well as to detail probability examinations carried out pertaining to these assumptions and prognoses;
- (e) method of evaluation used by the appraiser for preparing the valuation and the reasons for choosing the aforesaid method; where the method chosen by the appraiser is different from the cash flow capitalization method, the appraiser shall explain the reasons for choosing the aforesaid method;
 - (f) information sources at the disposal of the appraiser; where there are other sources of information that in appraiser's opinion should have been used for the purpose of the valuation, and he was prevented from accessing or receiving them - the appraiser shall disclose the fact, accompanied by the reason for its occurrence;
 - (g) where the appraiser had chosen to make use of the capitalization rate, the chosen capitalization rate shall be presented and accompanied by detailed explanations for the choice of this particular capitalization rate and the method of calculation;

Previous valuation of appraiser

- 5. The valuation shall include details regarding previous valuation, of the valuation subject, carried out by the same appraiser, including the following:
 - (a) where a previous valuation had been carried out during the last three years prior to the validity date of the valuation, the appraiser shall detail the validity date of previous valuations, the values stipulated and the reasons for providing the aforesaid valuations;
 - (b) where the value provided under the prior valuation deviates by 30% or more, from the value provided in the valuation, or where the method of evaluation is different from the method of evaluation in the prior valuation – the appraiser shall disclose the fact and provide explanations for main changes in material assumptions and estimates, accompanied by facts that brought about the aforesaid change;
 - (c) where there are differences between financial results, on which previous valuations were based, and factual financial results – the aforesaid differences shall be presented and explained.

Reliance on experts

- 6. where the valuation was based on material evaluations of additional experts -
 - (a) the evaluations of additional experts shall be attached to the valuation;
 - (b) all details, required under this schedule, shall apply to the valuations of additional experts, with necessary changes.