

THE TEL-AVIV STOCK EXCHANGE LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007

THE TEL-AVIV STOCK EXCHANGE LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
THE TEL-AVIV STOCK EXCHANGE LTD.**

We have audited the accompanying balance sheets of The Tel-Aviv Stock Exchange Ltd. ("the Company"), as of December 31, 2007 and 2006 and the consolidated balance sheets of the Company and of its subsidiary, as of those dates, and the related statements of operations, changes in equity and cash flows for the Company and on a consolidated basis, for each of the three years ended December 31, 2007. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position - of the Company and on a consolidated basis - as of December 31, 2007 and 2006, and the results of operations, changes in equity and cash flows - of the Company and on a consolidated basis - for each of the three years in the period ended December 31, 2007, in conformity with generally accepted accounting principles. . Moreover, in our opinion, the financial statements referred to above are prepared in accordance with the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993.

As explained in Note 2.A the financial statements as of dates and for reporting periods are presented in reported amounts, in accordance with accounting standards established by the Israeli Accounting Standards Board.

Brightman Almagor & Co.
Certified Public Accountants

Tel Aviv, Israel
May 22, 2008

THE TEL-AVIV STOCK EXCHANGE LTD
BALANCE SHEETS

	Note	Consolidated		Company	
		December 31,		December 31,	
		2007	2006	2007	2006
		NIS in thousands		NIS in thousands	
<u>Current assets</u>					
Cash and cash equivalents	3	35,377	(**) 26,240	14,475	16,548
Marketable securities	4	171,550	171,535	80,578	87,206
Trade accounts receivable	5	8,414	(**) 4,955	8,248	(**) 4,892
Receivables with respect to open derivative positions	6	96,487	329,499	-	-
Assets with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	7	59,943	143,001	-	-
Receivables and other current assets	8	6,863	(**) 7,669	5,336	(**) 6,743
		<u>378,634</u>	<u>682,899</u>	<u>108,637</u>	<u>115,389</u>
<u>Investments</u>					
Subsidiaries	9	-	-	109,717	91,779
Affiliate	10	4,411	4,089	4,411	4,089
		<u>4,411</u>	<u>4,089</u>	<u>114,128</u>	<u>95,868</u>
<u>Fixed assets</u>	11,12	<u>52,763</u>	<u>(*) 17,285</u>	<u>52,763</u>	<u>(*) 17,285</u>
<u>Other assets and deferred expenses</u>					
Intangible assets	13	20,431	(*) 10,697	19,939	(*) 10,205
Other assets and deferred expenses	11	31,181	-	31,181	-
		<u>51,612</u>	<u>10,697</u>	<u>51,120</u>	<u>10,205</u>
		<u>487,420</u>	<u>714,970</u>	<u>326,648</u>	<u>238,747</u>
<u>Current liabilities</u>					
Trade accounts payable	14	13,606	10,942	13,606	10,942
Payables with respect to open derivative positions	6	96,487	329,499	-	-
Liabilities with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	7	59,943	143,001	-	-
Payables and other current liabilities	15	36,959	26,425	32,617	22,702
		<u>206,995</u>	<u>509,867</u>	<u>46,223</u>	<u>33,644</u>
<u>Long-term liabilities</u>					
Accrued severance pay, net	16	6,770	5,167	6,770	5,167
<u>Contingent liabilities</u>					
	18				
<u>Shareholders' equity</u>					
		<u>273,655</u>	<u>(*) 199,936</u>	<u>273,655</u>	<u>(*) 199,936</u>
		<u>487,420</u>	<u>714,970</u>	<u>326,648</u>	<u>238,747</u>

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

(**) Reclassified

Saul Bronfeld
Chairman of the Board

Ester Levanon
CEO and Director

Joseph Treister
Senior Vice President
Administration and Finance

Tel Aviv, May 22, 2008

Approval date of the financial statements

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Year ended December 31		
		2007	2006	2005
		NIS in thousands		
Revenues from services				
Trading and clearing commissions		150,539	112,553	114,723
Securities registration and annual fees		51,753	34,896	28,575
Clearing House services		19,973	15,228	12,788
Presentation of trade as well as other data		32,790	24,762	20,442
Other		2,462	3,143	1,741
		<u>257,517</u>	<u>190,582</u>	<u>178,269</u>
Cost of revenues				
Salaries and social benefits	19	89,506	81,666	71,984
IT and communication expenses		20,336	(*) 18,198	(*) 13,117
Rent, municipal taxes and building maintenance		10,595	9,462	9,121
General and administrative expenses		12,394	(**) 9,809	8,337
Marketing		7,247	3,746	2,428
Fee to Israeli Securities Authority		7,460	7,078	7,306
Depreciation and amortization		11,155	(*) 10,470	(*) 10,170
Premiums in respect of the MAOF Risk Fund		10,153	8,085	8,725
		<u>168,846</u>	<u>148,514</u>	<u>131,188</u>
<u>Operating income before net financing</u>		88,671	42,068	47,081
Financing income, net	21	<u>15,478</u>	<u>11,360</u>	<u>12,618</u>
<u>Operating income after net financing</u>		104,149	53,428	59,699
Other income(expenses), net		<u>(503)</u>	<u>(53)</u>	<u>87</u>
<u>Pre-tax income</u>		103,646	53,375	59,786
Income taxes	22	<u>30,506</u>	<u>18,011</u>	<u>20,522</u>
<u>Income after income taxes</u>		73,140	35,364	39,264
Company's share in earnings of investees, net		<u>398</u>	<u>230</u>	<u>246</u>
<u>Net income for the year</u>		<u>73,538</u>	<u>35,594</u>	<u>39,510</u>

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

(**) Reclassified

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
STATEMENTS OF OPERATIONS – COMPANY

	Note	Year ended December 31		
		2007	2006	2005
		NIS in thousands		
Revenues from services				
Trading and clearing commissions		93,461	67,259	62,593
Securities registration and annual fees		51,753	34,896	28,575
Clearing House services		19,943	15,198	12,761
Presentation of trade as well as other data		32,790	24,762	20,442
Other		2,462	3,050	1,741
		200,409	145,165	126,112
Cost of revenues				
Salaries and social benefits	19	89,506	81,666	71,984
IT and communication expenses		20,336	(*) 18,198	(*)13,117
Rent, municipal taxes and building maintenance		10,595	9,462	9,121
General and administrative expenses		12,392	(**) 9,808	8,335
Marketing		7,247	3,746	2,428
Fee to Israeli Securities Authority		7,460	7,078	7,306
Depreciation and amortization		11,155	(*) 10,470	(*)10,170
		158,691	140,428	122,461
Participation in expenses by the Ma'of Clearing House Ltd.	20	(30,123)	(28,547)	(30,985)
		128,568	111,881	91,476
<u>Operating income before net financing</u>		71,841	33,284	34,636
Financing income, net	21	7,211	6,918	8,131
<u>Operating income after net financing</u>		79,052	40,202	42,767
Other income (expenses), net		(503)	(53)	85
<u>Pre-tax income</u>		78,549	40,149	42,852
Income taxes	22	23,347	14,050	15,318
<u>Income after income taxes</u>		55,202	26,099	27,534
Company's share in earnings of investees, net		18,336	9,495	11,976
<u>Net income for the year</u>		73,538	35,594	39,510

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

(**) Reclassified

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
STATEMENTS OF CHANGES IN EQUITY

	Capital Reserve	Retained Earnings	Total
	NIS in thousands		
Balance - January 1, 2005	3,200	121,632	124,832
<u>Changes in 2005:</u>			
Net income for the year	-	(*) 39,510	(*) 39,510
Balance December 31, 2005	3,200	161,142	164,342
<u>Changes in 2006:</u>			
Net income for the year	-	(*) 35,594	(*) 35,594
Balance January 1, 2007	3,200	196,736	199,936
Adjusted as of January 1, 2007 following initial implementation of accounting Standard No. 16 in investee -see Note 10	-	181	181
Balance January 1, 2007 after initial implementation of new accounting standards	3,200	196,917	200,117
<u>Changes in 2007:</u>			
Net income for the year	-	73,538	73,538
Balance December 31, 2007	3,200	270,455	273,655

(*) After retroactively adjustment following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
CASH FLOWS - OPERATING ACTIVITIES			
Net income for the year	73,538	(*) 35,594	(*) 39,510
Adjustments required to present cash flows provided by operating activities (Appendix A)	8,009	7,145	8,139
Net cash provided by operating activities	81,547	42,739	47,649
CASH FLOWS - INVESTING ACTIVITIES			
Additions to fixed assets	(34,376)	(*) (9,386)	(*) (6,991)
Proceeds from disposition of fixed assets	112	(**) 70	204
Investments in intangible assets	(13,297)	(*) (6,628)	(*) (7,007)
Purchase of marketable securities	(101,387)	(123,291)	(127,079)
Proceeds from the disposition of marketable securities	107,719	108,408	94,009
Payments for other assets-leased land	(31,181)	-	-
Purchase of an initially consolidated subsidiary (Appendix B)	-	(336)	-
Net cash used in investing activities	(72,410)	(31,163)	(46,864)
Cash Flows - Financing Activities			
Capital note repayment	-	(2,600)	-
Net cash used in financing activities	-	(2,600)	-
Increase in cash and cash equivalents	9,137	8,976	785
Cash and cash equivalents at beginning of year	26,240	17,264	16,479
Cash and cash equivalents at end of year	35,377	(**) 26,240	17,264

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

(**) Reclassified

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
APPENDIX TO CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Appendix A			
<u>Adjustments required to present cash flows provided by operating activities:</u>			
Income and expense not involving cash flows:			
Depreciation and amortization	11,155	(*) 10,470	(*) 10,170
Gain from realization of marketable securities	(6,347)	(4,348)	(9,254)
Capital loss (gain) from disposition of fixed assets and intangible assets	503	53	(86)
Company's share in undistributed profits of an affiliate	(141)	(**) 48	(**) 11
Deferred income taxes	(20)	480	140
Increase (decrease) in accrued severance pay, net	1,603	1,270	(228)
	6,753	7,973	753
	-----	-----	-----
Changes in assets and liabilities:			
Increase in trade accounts receivable and receivables and other current assets	(2,652)	(**) (2,826)	(1,853)
Decrease (increase) in receivables with respect to open derivative positions	233,012	(329,499)	-
Decrease (increase) in assets with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	83,058	(143,001)	-
Increase (decrease) in trade accounts payable	(3,700)	3,940	2,168
Increase (decrease) in payables with respect to open derivative positions	(233,012)	329,499	-
Increase (decrease) in liabilities with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	(83,058)	143,001	-
Increase (decrease) in payables and other current liabilities	7,608	(1,942)	7,071
	1,256	(828)	7,386
	-----	-----	-----
	8,009	7,145	8,139
	-----	-----	-----
Appendix B			
<u>Purchase of an initially consolidated subsidiary:</u>			
Net working capital (excluding cash and cash equivalents)	-	156	-
Goodwill created on the acquisition	-	(492)	-
	-	(336)	-
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Appendix C			
<u>Non-cash actions:</u>			
Purchasing property by credit	9,309	-	-
	9,309	-	-
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(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-seNotes 2H and 2I.

(**) Reclassified

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
STATEMENTS OF CASH FLOWS - COMPANY

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
CASH FLOWS - OPERATING ACTIVITIES			
Net income for the year	73,538	(*) 35,594	(*) 39,510
Adjustments required to present cash flows provided by operating activities (Appendix A)	(6,647)	3,328	(1,690)
Net cash provided by operating activities	<u>66,891</u>	<u>38,922</u>	<u>37,820</u>
CASH FLOWS - INVESTING ACTIVITIES			
Additions to fixed assets	(34,376)	(*) (9,386)	(*) (6,991)
Proceeds from disposition of fixed assets	112	(**) 70	204
Investments in intangible assets	(13,297)	(*) (6,628)	(*) (7,007)
Purchase of marketable securities	(53,535)	(84,358)	(88,144)
Proceeds from the disposition of marketable securities	63,313	98,777	64,456
Payments for other assets-leased land	(31,181)	-	-
Purchase of an initially consolidated subsidiary	-	(30,621)	-
Net cash used in investing activities	<u>(68,964)</u>	<u>(32,146)</u>	<u>(37,482)</u>
Cash Flows - Financing Activities			
Capital note repayment	-	(2,600)	-
Net cash used in financing activities	<u>-</u>	<u>(2,600)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(2,073)	4,176	338
Cash and cash equivalents at beginning of year	<u>16,548</u>	<u>12,372</u>	<u>12,034</u>
Cash and cash equivalents at end of year	<u>14,475</u>	<u>16,548</u>	<u>12,372</u>

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-seNotes 2H and 2I.

(**) Reclassified

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
APPENDIX TO THE COMPANY STATEMENTS OF CASH FLOWS

Year ended December 31,		
2007	2006	2005
NIS in thousands		

Appendix A

Adjustments required to present cash flows provided by operating activities:

Income and expense items not involving cash flows:

Depreciation and amortization	11,155	(*) 10,470	(*) 10,170
Capital loss (gains) from disposition of fixed assets and intangible assets	503	53	(86)
Gain from realization of marketable securities	(3,150)	(2,805)	(5,093)
Company's share in profits of a subsidiary	(17,938)	(9,265)	(11,730)
Company's share in undistributed profits of an affiliate	(141)	48	11
Deferred income taxes	-	480	140
Increase (decrease) in accrued severance pay, net	1,603	1,270	(228)
	(7,968)	251	(6,816)

Changes in assets and liabilities:

Decrease (increase) in trade accounts receivable and receivables and other current assets	(1,949)	(*) 268	(2,315)
Increase (decrease) in trade accounts payable	(3,700)	3,940	2,168
Increase (decrease) in payables and other current liabilities	6,970	(1,131)	5,273
	1,321	3,077	5,126
	(6,647)	3,328	(1,690)

Appendix B

Non-cash actions:

Purchasing property by credit	9,309	-	-
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(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-seNotes 2H and 2I.

(**) Reclassified

The accompanying notes are an integral part of the financial statements

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - GENERAL

A. The Tel Aviv Stock Exchange ("TASE), which is a company limited by the guarantee of its members, was incorporated in 1953 and since then engaged in running a securities stock exchange. The TASE Clearing House Ltd. ("TASE CLEARING HOUSE) is wholly owned by the TASE since September 2006 and is mainly dealing with securities clearance, other than derivatives. The Ma'of Clearing House Ltd. (MA'OF CLEARING HOUSE) is wholly owned by the TASE and it is mostly engaged in issuance of options and forward contracts (derivatives) and rendering clearance services for these derivatives.

B. The Company's financial statements are prepared in accordance with the Israeli Securities Regulations (Preparing Annual Financial Statements), 1993.

C. The financial statements represent a translation into English (from original Hebrew financial statements).

D. Definitions:

The Company or TASE - the Tel-Aviv Stock Exchange Ltd.

The Group - the Company and its investees.
A list of the Group companies is presented in Notes 9 and 10.
Investees include the following:

Subsidiary - an over-50%-controlled company, whose financial statements are directly or indirectly consolidated with those of the Company.

Affiliate - a company, other than a subsidiary, in which the Company exercises significant influence, and the investment in which has been included, directly or indirectly, in the Company's financial statements on the basis of the equity method.

Investee - a subsidiary or an affiliate.

Related parties - as defined in Opinion No. 29 of the Institute of Certified Public Accountants in Israel.

Interested parties - as defined in the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993.

CPI - the Israeli official consumer-price index.

Dollar (or "\$") - the US dollar.

E. Use of estimates

Generally accepted accounting principles require management to make estimates or assumptions regarding transactions or issues whose ultimate effect on the financial statements cannot be precisely determined when the financial statements are being prepared. Although the estimates or assumptions are made using best judgments, the ultimate implications of those transactions or issues might differ from the estimates or assumptions made.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Financial reporting in reported amounts

- (1) Definitions:

Adjusted amount - a nominal historical amount adjusted to the CPI of December 2003 in accordance with Opinion No. 36 of the Institute of Certified Public Accountants in Israel.

Reported amount - an adjusted amount plus nominal values added, and of net of any amounts deducted, subsequent to December 31, 2003.

- (2) On January 1, 2004, Israeli Accounting Standard No. 12 "Cessation of Financial Statements Adjustment" ("Standard No. 12") went into effect.

Following the initial implementation of Standard No. 12, commencing January 1, 2004, the Group ceased the presentation of its financial statements based on the changes in the general purchasing power of the Israeli currency. Effective with the Interim Financial Statements as of January 1, 2004, the Group's financial statements are prepared and presented in reported amounts.

The amounts of non- monetary items express their cost in reported amounts and do not necessarily represent realization value or up to date economic value.

- (3) Method for determining the reported amounts in the financial statements:

Balance sheet:

- Monetary items (whose balance-sheet amount reflects current or realizable value at the balance-sheet date) have been included at their nominal values at the financial statements date.
- Non-monetary items have been included at their adjusted value on December 31, 2003, plus amounts in nominal values added subsequently and net of amounts subsequently deducted in respect thereof.
- Investments in investees have been included on the basis of these companies' financial statements in reported values.

Statement of operations:

- Income and expenses, including financing, have been included in nominal values.
- Income and expenses stemming from non-monetary items were computed concurrently with the computation of their corresponding balance-sheet amounts.
- The share of the Company in the results of investees has been determined on the basis of those companies' financial statements in reported values.

B. Principles of consolidation

The consolidated financial statements include the full consolidation of a wholly owned and controlled subsidiaries.

Material inter-company balances and transactions with the subsidiary have been eliminated.

The excess of acquisition cost of the investment in a subsidiary over the share of the Company in the fair value of identifiable assets (including intangible assets) less the fair value of identifiable liabilities of the subsidiary upon acquisition date is goodwill and it is being presented in the consolidated balance sheet with intangible assets.

See Note 2K below as to the accounting treatment of goodwill.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Cash and cash equivalents:

Cash and cash equivalents include deposits with financial institutions for immediate withdrawal and short-term deposits unrestricted as to use, the redemption date of which does not exceed three months from the date of deposit.

D. Marketable securities:

The marketable securities which management intends to sell in the short term are presented as current assets at market value prevailing on the balance-sheet date. Changes in the value of marketable securities are allocated to operations.

E. Allowance for doubtful accounts:

The allowance is computed on a specific basis for accounts whose collection, in the opinion of management, is doubtful.

F. Receivables and Payables for open positions with respect to derivatives and assets and liabilities resulting from securities that were not transferred to the stock exchange clearing House on a timely basis

These balances were presented in accordance with their fair values as of the balance sheet date. For further details see Notes 6 and 7 as follow.

G. Investments in an affiliate

An investment in affiliates over which the Company exercises significant influence is accounted for by the equity method on the basis of the investee's audited financial statements.

H. Fixed assets

Commencing from January 1, 2007, the Company is implementing Accounting Standard No.27, "Fixed Assets" and Accounting Standard No.28, "Amendment to Transitional Provisions in Accounting Standard No.27, Fixed Assets".

Fixed assets are a tangible item which is held for supply services where it is anticipated that it will be used for more than one period.

Items of fixed assets are presented in the balance sheet at cost less accumulated depreciation, and less accumulated losses from impairment of value. Cost includes the purchase cost of the asset as well as the costs that can be attributed directly to bring the asset to the location and condition that are necessary to operate it in the manner intended by management.

Until December 31, 2006 the depreciation of the Fixed Assets was not carried out separately for each component of Fixed Assets with different useful lives.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

H. Fixed assets (Cont.)

Beginning from January 1, 2007, when Accounting Standard No.27, "Fixed Assets", became effective, the depreciation of the fixed assets is carried out separately for each component of a depreciable fixed asset item with substantial cost in relation to the total cost of the item. The depreciation is carried out in a methodical manner according to the straight line method over the anticipated useful lives of the components of the item, from the date on which the asset is ready for its designated use, while taking the expected scrap value at the end of the useful life into account

The anticipated useful life and the annual depreciation rates are:

	<u>Anticipated useful life</u>	<u>%</u>
Land & Buildings	-	-
Computers systems & Auxiliary equipment	3-10 years	10%-33%
Equipment & Systems (*)	3-16 years	6%-33%
Motor vehicles	6.6 years	15%
Leasehold improvements (mainly visitors center) (*)	3-6.6 years	15%-33%

(*) See Note 12B as regards a change in estimate following a decision on the construction of a new building for the stock exchange.

Scrap value, depreciation method and the assets useful lives are being reviewed by management in the end of every financial year. Changes are handled as a change of estimation and are applied from here on.

Profit or loss due to the sale or abandon of an asset is determined by the difference between the proceeds from the sale to the net book value of the asset and is attributed to profit and loss statement.

In accordance with the transitional provisions, the Company elected to implement the cost model retroactively. Such implementation had no material effect on the Company's operating results, except for the classification from "fixed assets" to "intangible assets" of costs in relation to computer software which is not an integral part of the relevant hardware, and licenses, in a total amount of approximately NIS 10,205 thousand.

I. Intangible assets other than goodwill

(1) General

Commencing from January 1, 2007, when Accounting Standard Number 30, "Intangible Assets", became effective, the accounting treatment is as follows;

Intangible assets are identifiable non- monetary assets without physical substance. See Note 2K as follow with respect to goodwill.

An intangible asset with a defined useful length of life is amortized over its useful length of life, subject to the examination of impairment of value. After initial recognition, such intangible asset is presented at cost less amortization and cumulative losses from impairment of value.

The amortization is calculated on the straight line basis over the estimated period of useful life. The approximation of the length of life and the amortization method are evaluated at the end of each reporting year with the effect of changes in approximation being treated in a prospective manner.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Intangible assets other than goodwill (Cont.)

(1) General (Cont.)

The useful lives taken into account in amortizing the intangible assets with defined useful lives are as follows:

Software and licenses - 3- 10 years

(2) Capitalization of costs of in- house development of software for internal use

Through December 31, 2006, certain costs connected with the in- house development of computer software for internal use were capitalized in accordance with accounting principles stipulated in the American publication Statement of Position (SOP) 98-1.

Since January 1, 2007, when Accounting Standard Number 30, "Intangible Assets" became effective, these costs are being treated as follows:

Costs of activities at the research stage are charged to operations when incurred.

An intangible asset created internally at the development stage of the software and computer systems is recognized only if all of these conditions are present:

- There is technical feasibility that the asset will be completed so that it will be available for use.
- It is the Group's intention to complete and use the asset.
- The Group has the ability to complete and use the asset.
- It is anticipated that the asset will generate future economic benefits.
- The Group has the technical, financial and other resources available to complete the development and use of the asset; and
- The costs attributable to the asset during development can be reliably measured.

When the intangible asset created in- house cannot be recognized, the software development costs are charged to operations when incurred.

Intangible assets developed internally, with a defined length of life, are amortized on the straight line basis over the period of their useful life.

(3) Implementation of the transitional provisions of Accounting Standard Number 30, "Intangible Assets":

The Company retroactively implemented the provisions of the standard in its financial statements. Further on are details of the effect of the retroactive adjustment on the financial statements of the Company and on a consolidated basis:

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Intangible assets other than goodwill (Cont.)

(3) Implementation of the transitional provisions of Accounting Standard Number 30, "Intangible Assets": (Cont.)

(a) Balance sheet effect:

<u>As of December 31, 2006</u>	<u>As reported in the past</u>	<u>Effect of restatement</u>	<u>As reported in these financial statements</u>
	<u>NIS in thousands</u>		
Fixed assets	(*) 20,591	(3,306)	17,285
Shareholders' equity	203,242	(3,306)	199,936

(*) After reclassification due to implementation of Accounting Standard No. 27- see Note 2H.

(b) Statement of operations effect:

<u>For year ended December 31</u>	<u>2006</u>	<u>2005</u>
	<u>NIS thousands</u>	
Net income as reported in the past	37,585	40,825
Increase in computer and communications expense	(2,670)	(1,412)
Decrease in depreciation expense	679	97
Net income as reported in these financial statements	35,594	39,510

J. Deferred expenses

The deferred expenses relate to leasing fees for land which are amortized over the lease period, including an option. The land is leased for periods (including option) of 140 to 999 years.

K. Goodwill created on acquisition of an investee

Goodwill is the excess of the acquisition cost of an investment in an investee over the share of the Company in the fair value of the identifiable assets, including intangible assets, less the fair value of identifiable liabilities (after tax allocation) as of the acquisition date. Goodwill is not amortized by a methodical method but is evaluated once annually or with higher frequency if there are signs that indicate a possibility of impairment of the value of the goodwill.

L. Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

L. Impairment of assets excluding goodwill (Cont.)

Commonly-held assets are also allocated to individual cash-generating units, if it is possible to identify a reasonable and consistent basis for such allocation. If it is not possible to allocate the commonly-held assets to individual cash-generating units on such basis, the commonly-held assets are allocated to the smallest group of cash-generating units for which it is possible to identify a reasonable and consistent basis for allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

M. Income taxes

Since there is no clear expectation of the existence of taxable income in the foreseeable future, the Company does not record deferred taxes receivable with respect to temporary differences in the value of assets and liabilities between financial reporting and reporting for tax purposes. A subsidiary performs the allocation of taxes for temporary differences between the value of assets and liabilities in the financial statements and the tax basis. The deferred taxes are computed at the anticipated tax rates at the time of their realization as they are known as of the balance sheet date.

Taxes which would be payable in the case of realization of investments in investees have also not been recorded since the Group intends to hold the investments. Deferred income taxes payable on the distribution of profits have also not been taken into account since dividends are tax-exempt.

N. Fair value of financial instruments

The fair value of the financial instruments is based upon the prices established in the framework of the trading on the Stock Exchange as of the balance sheet date. In a case in which no trading has taken place in a particular instrument as of the balance sheet date, the Company makes use of valuation techniques according to accepted economic models for valuing derivatives that are accompanied by assumptions based upon the current economic conditions at each balance sheet date.

O. Offset of financial instruments

Financial assets and liabilities are presented in the balance sheet at a net amount only when the Company has the legal, enforceable right to offset, and there also is the intention to settle the asset and the liability on a net basis or to simultaneously realize the asset and pay off the liability.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Revenue recognition

Revenues are measured at the fair value of the consideration received and/ or the consideration that the Group has the right to receive revenues from rendering services in the ordinary course of business.

The Group records its revenues from rendering services on the date that the services are provided and when all of the following conditions are present:

- The amount of the revenues can be reliably measured.
- It is anticipated that the economic benefits connected with the transaction will flow to the Group.

Reporting revenues on the gross basis or net basis

The Company implements Clarification Number 8 of The Israel Accounting Standards Board, Reporting Revenues on a Gross Basis or Net Basis. Accordingly, the Company's revenues as an agent or broker without bearing risks and returns derived from the transaction are presented on a net basis. Revenues with respect to transactions in which the Company is the primary obligor and bears the risks and returns derived from it are presented on a gross basis.

Q. New accounting standard in the pre-implementation period

Accounting Standard No. 29 - Adoption of International Financial Reporting Standards

In July 2006 the Israeli Accounting Standards Board published Accounting Standard No.29 "Adoption of International Financial Reporting Standards" - IFRS. (Hereafter – "The standard" or "Standard 29").

The standard establishes that the financial statements of an entity subject to the Securities Law and its reporting requirements, other than foreign corporations defined therein, will be prepared for the reporting periods starting January 1, 2008, in accordance with the IFRS and their related clarifications published by IASB (The International Accounting Standards Board).

Standard No. 29 permits entities, as aforesaid, to elect to prepare their financial statements according to IFRS at a date earlier than January 1, 2008, with effect from the financial statements published after July 31, 2006.

Standard No.29 is not applied on the company. Still, the standard allows entities that are not subject to the Israeli Securities Law to prepare their financial statements in accordance with the IFRS starting the financial statements published subsequent to July 31, 2006.

The Company's management has elected to adopt the IFRS starting from January 1, 2008.

An entity implementing the IFRS starting January 1, 2008 and electing to report comparative figures strictly for 2007 in accordance with the IFRS will be obliged to prepare an opening balance sheet at January 1, 2007 based on the IFRS (hereafter- "the Opening Balance Sheet").

The transition to reporting according to the IFRS will be carried out in accordance with IFRS No.1, Initial Adoption of IFRS Standards. IFRS No.1 stipulates rules of how the entity should implement the transition from financial reporting based on previous domestic accounting principles to reporting on the basis of international accounting standards. IFRS No. 1 supersedes any transitional rules established in other IFRS (including those established in prior domestic accounting standards), and states that all IFRS should be adopted retroactively in the opening balance sheet. Nevertheless, IFRS No.1 grants allowances regarding certain issues by not applying the retroactive application in respect thereof. In addition, it contains certain exceptions with regard to the retroactive application of certain aspects of other IFRS.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Q. New accounting standard in the pre-implementation period (Cont.)

Accounting Standard No. 29 - Adoption of International Financial Reporting Standards (Cont.)

See Note 25 with respect to the adjustments that will be executed at the time of the transition to reporting according to the IFRS and the allowance which the Company has elected in accordance with the provision of IFRS No. 1.

R. Exchange rates and linkage bases

1. Assets and liabilities in foreign currency or linked thereto are stated on the basis of the representative exchange rate published by the Bank of Israel that prevailed on the balance sheet date.
2. Balances linked to the CPI are presented at the "known" CPI as of the date of the balance sheet.
3. CPI and exchange - rate data:

	Exchange rate (NIS/\$)	CPI
December 31		
2007	3.846	120.19
2006	4.225	116.93
2005	4.603	117.27
	%	%
Changes in year ended December 31		
2007	(8.97)	2.79
2006	(8.21)	(0.29)
2005	6.84	2.69

4. Exchange and linkage differences are recorded to operations as incurred.

S. Reclassifying

Certain data in which was displayed in the financial statement as of December 31 2006 and 2005 has been reclassified in order to make a match to the current presentation in the financial statements as of December 31, 2007.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - CASH AND CASH EQUIVALENTS

Composition:

	<u>Interest rate</u>	<u>Consolidated</u>		<u>Company</u>	
		<u>December 31,</u>		<u>December 31,</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
NIS in thousands					
Cash on hand and in banks		2,447	1,697	2,186	1,433
Bank deposits	2.06%-3.16%	32,930	(*)24,543	12,289	15,115
		<u>35,377</u>	<u>26,240</u>	<u>14,475</u>	<u>16,548</u>

(*) Reclassified

NOTE 4 - MARKETABLE SECURITIES

Composition:

	<u>Consolidated</u>		<u>Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
NIS in thousands				
Shares	31,035	29,532	15,316	15,256
Corporate debentures	1,421	2,311	350	321
Convertible debentures	226	307	55	80
Government bonds and other debentures	138,868	139,385	64,857	71,549
	<u>171,550</u>	<u>171,535</u>	<u>80,578</u>	<u>87,206</u>

NOTE 5 - TRADE ACCOUNTS RECEIVABLE

Composition:

	<u>Consolidated</u>		<u>Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
NIS in thousands				
Outstanding amounts	2,992	1,477	2,992	1,477
income receivable	5,446	(*) 3,535	5,280	(*) 3,472
Post-dated checks receivable	9	-	9	-
	<u>8,447</u>	<u>5,012</u>	<u>8,281</u>	<u>4,949</u>
Less: allowance for doubtful accounts	33	57	33	57
	<u>8,414</u>	<u>4,955</u>	<u>8,248</u>	<u>4,892</u>

(*) Reclassified

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - RECEIVABLES AND PAYABLES WITH RESPECT TO OPEN DERIVATIVE POSITIONS

The following are additional details in connection with the balances of open derivative positions and relevant collateral:

- A. The amount of the assets expresses the monetary value of the total debts of the members of the MAOF Clearing House to the MAOF Clearing House. The amount of the liabilities expresses the monetary value of all the liabilities of the MAOF Clearing House to the members of the MAOF Clearing House.

These balances are calculated on the basis of the amount of the debts of the members of the MAOF Clearing House towards the MAOF Clearing House - with regard to the assets, and the amount of the liabilities of the Clearing House towards the members - with regard to the liabilities, after offsetting the receivables and the payables derived from the open positions of the member as of the same expiration date.

The amount reflected in these financial statements does not include the right of offset with regard to different expiration dates.

- B. In accordance with the by-laws of the MAOF Clearing House Ltd., in the case of the insolvency of a member and in additional cases as itemized in the by laws of the MAOF Clearing House, the MAOF Clearing House has the right to offset every debt owed to it by a member, of every type and category, including with respect to positions with different expiration dates, against any debt of the MAOF Clearing House against that same member.

The fair value of the assets and liabilities that are derived from the open positions of all members of the MAOF Clearing House, which also takes into account the offset of charges and credits resulting from the member's open positions with different expiration dates, is NIS 66 million (as of December 31, 2006- NIS 249 million).

- C. The expiration dates of the derivatives issued by the MAOF Clearing House through the balance sheet date are up to the end of the year 2008.
- D. The MAOF Clearing House has a Risk Fund. A member of the Clearing House pledges collateral in favor of the Clearing House as a guarantee for meeting his obligations towards the Clearing House as well as to secure his share in the Risk Fund. The amount of the Risk Fund as of December 31, 2007 is NIS 1,091 million. The amount of the Risk Fund is updated every quarter in accordance with the rules determined in the by-laws of the MAOF Clearing House.

The share of each member is determined according to the relationship between the average amount of the securities that he was required to place at the disposal of the Clearing House during the quarter and the amount of all of the securities which the members have been demanded to provide to the Clearing House during the quarter, multiplied by the amount of the Risk Fund, but not less than NIS 5 million, all as stipulated in the by-laws of the MAOF Clearing House.

On April 15, 2008, the size of the Risk Fund was set at NIS 936 million.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - RECEIVABLES AND PAYABLES WITH RESPECT TO OPEN DERIVATIVE POSITIONS (Cont.)

- E. The members of the MAOF Clearing House provide the MAOF Clearing House with securities for the Risk Fund of the MAOF Clearing House. The members of the MAOF Clearing House also provide the MAOF Clearing House with securities for transactions in derivatives that are executed by them or under their responsibility. The securities include government bonds, which are deposited in special accounts of the Stock Exchange Clearing House, and/ or cash which is deposited in the MAOF Clearing House bank accounts. The members of the MAOF Clearing House have pledged all of the assets and rights in such accounts in favor of the MAOF Clearing House, all as stipulated in the by-laws of the MAOF Clearing House.

The total securities deposited in these accounts as of December 31, 2007 with respect to the aforesaid amounted to NIS 10,111 million.

NOTE 7 - ASSETS AND LIABILITIES WITH RESPECT TO SECURITIES THAT WERE NOT TRANSFERRED TO THE STOCK EXCHANGE CLEARING HOUSE ON A TIMELY BASIS

The following are additional details with relation to the balances of assets and liabilities for securities which were not transferred to the Stock Exchange Clearing House on a timely basis and the relevant collateral:

- A. The amounts in this section express the amount of the monetary value of the securities that were sold on the Stock Exchange or in the EURO MTS system (an European trading system in which the bonds of the State of Israel are traded), transactions which are under the responsibility of the Stock Exchange Clearing House (being a Central Counter Party) and are not found in the clearing accounts of a member of the Clearing House on the date stipulated in the by-laws as the date of their transfer to the member who purchased them.
- B. Cash with a monetary value of NIS 89 million was deposited into the bank accounts of the Clearing House in order to secure the aforementioned obligations of the members of the Clearing House.
- C. The Stock Exchange Clearing House has a Risk Fund. A member of the Clearing House pledges collateral in favor of the Clearing House as a guarantee for meeting his obligations towards the Clearing House as well as to secure his share in the Risk Fund. The amount of the Risk Fund as of December 31, 2007 is NIS 942 million.

Commencing from April 2008, the amount of the Risk Fund is updated every six months in accordance with the rules that were prescribed by the by- laws of the Stock Exchange Clearing House (until that time, the amount of the Risk Fund was updated on March 1 of each year). The share of each member in the Risk Fund is determined according to the relationship between the clearing volume of the member during the six months of the calendar year that ended prior to the date of the update and between the amount of the clearance volume of all of the members (excluding the Bank of Israel) for the same period, but not less than NIS 5 million, all as stipulated in the by- laws of the Clearing House.

On March 1, 2008, the size of the Risk Fund was set at NIS 1,182 million.

The members of the Clearing House provide the Clearing House with securities for the aforementioned Risk Fund. Securities include government bonds, which are deposited in special accounts of the Stock Exchange Clearing House, and/ or with cash which is deposited in bank accounts of the Clearing House. The members of the Clearing House have pledged all of the assets and rights in such accounts in favor of the Clearing House, all as stipulated in the by- laws of the Clearing House.

The total securities deposited in these accounts as of December 31, 2007 amounted to NIS 1,104 million.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - RECEIVABLES AND OTHER CURRENT ASSETS

Composition:

	<u>Consolidated</u>		<u>Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	NIS in thousands			
Prepaid expenses	452	765	452	765
Subsidiary	-	-	1,902	1,298
Governmental Institutions	158	-	158	-
Payments for income taxes less provisions	3,383	4,101	-	2,023
Advances and loans to employees (*)	2,747	2,516	2,747	2,516
Other	123	287	77	141
	<u>6,863</u>	<u>7,669</u>	<u>5,336</u>	<u>6,743</u>

(*) Most of the loans are non-interest bearing and are either fully or mostly (80%) linked to the CPI.

NOTE 9 - INVESTMENT IN A SUBSIDIARY

A. Composition:

	<u>Company</u>	
	<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>
	NIS 000	
Ma'of Clearing House Ltd and The TASE Clearing House Ltd. - wholly owned and controlled:		
Cost of investment	41,027	41,027
Retained earnings	68,690	50,752
	<u>109,717</u>	<u>91,779</u>

B. Additional information:

- The principal business of the MAOF Clearing House is the issuance of options and futures contracts ("derivatives") and the rendering of clearance services for these derivatives. The principal business of the Stock Exchange Clearing House is the clearance of securities, excluding derivatives, and the rendering of the services of a central depository for securities.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - INVESTMENT IN A SUBSIDIARY (Cont.)

B. Additional information: (Cont.)

2. During the month of August 2006, the approval of the courts was received for the program of the arrangement between the Stock Exchange Clearing House and its members, in the context of which the Clearing House was converted from a limited liability corporation with no share capital into a company with share capital, this in accordance with Section 350 of The Companies Law.

During the month of September 2006, the Company acquired from the members of the Clearing House the shares of the Stock Exchange Clearing House in consideration of the amount of NIS 622,000 and thus was converted to a company wholly owned by the Company. Following such acquisition, goodwill of approximately NIS 492,000 was created, and it is being presented in the consolidated financial statements with intangible assets (see Note 13). Furthermore, in December 2006, the Company invested an additional amount of NIS 30 million in the share capital of the Stock Exchange Clearing House.

3. **The making available of a credit line for the Stock Exchange Clearing House by the Stock Exchange**

The General Meeting of the Stock Exchange, during the month of January 2004, approved the granting of a loan to the Stock Exchange Clearing House, in case the Stock Exchange Clearing House should need a loan in order to meet its liabilities. It was also decided to authorize a committee of the Board of Directors to determine the timing of giving the loan and also to establish the amount of the loan, not to exceed NIS 50 million. The loan will be made available at interest equivalent to the rate of interest collected by the Bank of Israel from the banks, except if it will be agreed otherwise between the Stock Exchange and the Clearing House. Since the approval was given during the month of January 2004 and through the date of approving the financial statements, no loan as aforesaid has been granted.

NOTE 10 - INVESTMENT IN AN AFFILIATE

- A. The Company's holding of shares of the Stock Exchange Offices Ltd. ("SOL") grant it 55.88% of the right to appoint officers and 10.29% of the right to earnings and participation in distribution SOL assets upon liquidation.

B. Composition

	Consolidated and Company	
	December 31,	
	2007	2006
	NIS in thousands	
Cost	7,285	7,285
Earnings accumulated since acquisition, net	3,228	2,830
Change in the balance of the investment as the result of the initial implementation of Standard 16	(*) 181	-
Dividends received	(6,283)	(6,026)
Total	4,411	4,089

- (*) As the result of the implementation of Standard No. 16- Investment Real Estate, by an investee, the share of the Company in the investment increased by NIS 181,000 due to its share in the adjustment of the land and building to fair value, and in consideration of the amortization of excess cost allocated to the land of the investee in the past.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - INVESTMENT IN AN AFFILIATE(Cont.)

C. Dividend declared subsequent to balance-sheet date

Subsequent to the balance sheet date, SOL declared a dividend of NIS 3,800 thousand. The Company's share of the dividend is NIS 391 thousand.

NOTE 11 - LAND RIGHTS

- A. During the month of June 2007, the Company entered into agreements for the acquisition for financial consideration of NIS 57 million of ownership, holding and use rights and lease rights in land designated for the construction of a new building for the Stock Exchange, on a plot totaling approximately 0.15 hectares. The transaction was closed during the month of August 2007.

The Company has begun the process of planning the building by means of consultants and planners in the relevant fields.

B. Composition:

	Consolidated and Company
	2007
	NIS in thousands
Owned land	19,707
Land under capitalized lease (lease rights for various periods ending during the years 2148- 3003)	37,483
	<u>(*) 57,190</u>

- (*) The registration of the ownership and lease rights in the Office of the Land Registry was not yet completed since the arrangement of the approval of the tax authorities has not yet been finalized.

C. Balance sheet presentation:

	Consolidated and Company
	2007
	NIS in thousands
With fixed assets	26,009
With deferred expenses	31,181
	<u>57,190</u>

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - FIXED ASSETS

A. Composition and movement:

	Consolidated and company					T o t a l
	Land & Buildings (2)	Computers systems & auxiliary equipment	Equipment & systems	Motor vehicles	Leasehold improvements (mainly visitors center)	
Cost	NIS in thousands					
Balance - January 1, 2007(1)	-	41,695	6,920	529	7,058	56,202
Additions during year	27,143	14,551	1,555	-	436	43,685
Disposals during year	-	(16,902)	(529)	(268)	(20)	(17,719)
Balance - December 31, 2007	<u>27,143</u>	<u>39,344</u>	<u>7,946</u>	<u>261</u>	<u>7,474</u>	<u>82,168</u>
Accumulated depreciation						
Balance - January 1, 2007 (1)	-	28,688	5,519	275	4,435	38,917
Depreciation for year	-	6,809	452	57	660	7,978
Disposals	-	(16,724)	(518)	(231)	(17)	(17,490)
Balance - December 31, 2007	<u>-</u>	<u>18,773</u>	<u>5,453</u>	<u>101</u>	<u>5,078</u>	<u>29,405</u>
Net book value						
December 31, 2007	<u>27,143</u>	<u>20,571</u>	<u>2,493</u>	<u>160</u>	<u>2,396</u>	<u>52,763</u>
December 31, 2006 (1)	<u>-</u>	<u>13,007</u>	<u>1,394</u>	<u>254</u>	<u>2,623</u>	<u>17,285</u>

(1) Reclassified following initial implementation of new accounting standards - see Note 2.H

(2) See Note 11 for information on rights to land.

The balance includes construction costs in the amount of NIS 1,134 thousand.

B. Change of estimate:

Following the decision of the Board of Directors of the Company with respect to the construction of a new building for the Stock Exchange, the management of the Company evaluated the period of time that the Company is anticipated to continue to use the building it is leasing as well as certain items of furniture and equipment. The length of time that the Company expects that it will continue to use the building, furniture and equipment as aforementioned, is 4 additional years, commencing from the beginning of the year of 2007. Moreover, an examination was performed pursuant to Accounting Standard Number 27-Fixed Assets, in connection with the useful length of life of all of the fixed assets. Changes in depreciation rates with regard to these examinations will be treated as a change in estimate on a prospective basis. The effect of the aforementioned on depreciation expenses is not material.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 13 - INTANGIBLE ASSETS

A. Following is the composition and changes in this section:

	Consolidated		
	Software and licenses	Goodwill	Total
	NIS in thousands		
<u>Cost</u>			
Balance as of January 1, 2007	(*)48,069	492	48,561
Acquisitions	7,680	-	7,680
Capitalization of expenses of software development activities	5,617	-	5,617
Deductions	(1,205)	-	(1,205)
Balance as of December 31, 2007	60,161	492	60,653
<u>Accumulated amortization</u>			
Balance as of January 1, 2007	37,684	-	37,684
Amortization	3,177	-	3,177
Deductions	(819)	-	(819)
Balance as of December 31, 2007	40,222	-	40,222
<u>Unamortized cost</u>			
Balance as of December 31, 2007	19,939	492	20,431
Balance as of December 31, 2006	10,205	492	10,697
	Company		
	Software and licenses		
	NIS 000		
<u>Cost</u>			
Balance as of January 1, 2007	(*)48,069		
Acquisitions	7,680		
Capitalization of expenses of software development activities	5,617		
Deductions	(1,205)		
Balance as of December 31, 2007	60,161		
<u>Accumulated amortization</u>			
Balance as of January 1, 2007	37,684		
Amortization	3,177		
Deductions	(819)		
Balance as of December 31, 2007	40,222		
<u>Unamortized cost</u>			
Balance as of December 31, 2007	19,939		
Balance as of December 31, 2006	10,205		

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

B. Amortization of intangible assets is presented in the statement of operations together with depreciation expenses.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14 - TRADE ACCOUNTS PAYABLE

Composition:

	consolidated and company	
	December 31,	
	2 0 0 7	2 0 0 6
	NIS in thousands	
Open accounts	13,402	10,545
Post-dated checks	204	397
	13,606	10,942

NOTE 15 - PAYABLES AND OTHER CURRENT LIABILITIES

	Consolidated		Company	
	December 31,		December 31,	
	2 0 0 7	2 0 0 6	2 0 0 7	2 0 0 6
	NIS in thousands			
Wages and social benefits (1)	26,290	21,507	26,290	21,507
Institutions	2,965	715	2,965	715
Provision for income taxes, net of advances	2,581	291	2,272	-
Clearing House members- payables for interest	728	779	-	-
Payables with regard to MAOF Risk Fund	2,736	2,006	-	-
Deferred income taxes	600	620	-	-
Deferred income	26	62	26	62
Other payables and accrued expenses	1,033	445	1,064	418
	36,959	26,425	32,617	22,702
(1) Includes:				
Vacation accrual	8,300	6,590	8,300	6,590

NOTE 16 - ACCRUED SEVERANCE PAY, NET

A. Composition consolidated and company:

	December 31,	
	2 0 0 7	2 0 0 6
	NIS in thousands	
Severance -pay obligations	20,710	18,059
Less: amounts funded	(15,869)	(14,869)
	4,841	3,190
Pension liabilities	1,929	1,977
	6,770	5,167

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 - ACCRUED SEVERANCE PAY, NET(Cont.)

B. Additional information:

- (1) The accrued severance-pay balance covers the Company's entire obligation at the balance-sheet date for employee termination benefits and it excludes the obligation covered by deposits made to managers' insurance policies and pension funds. This liability has been computed on the basis of each employee's seniority and latest salary.

The balances funded with the pension fund include accumulated profits and may be withdrawn upon fulfillment of the requirements stipulated in the Severance Pay Law, 1963.

The amounts paid to managers' insurance policies and the pension funds and the liabilities they cover are not presented in the financial statements since they are not under the Company's custody.

- (2) Part of the employees of the company are members of a pension fund. The severance pay and pensions deposits with respect to these employees are deposited on a current basis in their names, in accordance with collective agreements, in a manner which releases the Company from the obligation to pay severance pay at the time of termination of the employee- employer relationships. The amounts deposited as above are included as a current expense in the statement of operations and no additional provisions are included for those employees that should be presented with liabilities.
- (3) During the month of March 2006, the Board of Directors of the Stock Exchange resolved to appoint the former deputy to the CEO as the CEO, effective from June 2006, and during the month of December 2006, an employment agreement was signed under which the CEO is entitled, upon termination of the period of employment in the year of 2011, to an additional severance grant to the extent of one salary for each year of employment in the Company as CEO, this over and above the current amounts at accepted rates that are being deposited on her behalf in managers' insurance programs, and also to a grant in an amount equivalent to three monthly salaries. A provision was registered in the financial statements with respect to the relative cumulative period of entitlement from the date of such agreement and through the balance sheet date, for the aforementioned severance grants. Under certain circumstances of the termination of employment, the CEO is entitled to the above severance grants even prior to termination of the period of employment.
- (4) During the month of March 2006, the Board of Directors of the Stock Exchange decided to appoint the previous CEO as the Chairman of the Board of Directors, in effect from the month of June 2006, and during the month of December 2006, an employment agreement with the Chairman of the Board of Directors was signed for a period of 5 years.

Pursuant to the agreement, the Chairman of the Board of Directors is entitled, upon termination of employment, to an additional severance grant to the extent of his last salary as CEO of the Stock Exchange (as defined in the agreement) for each year of employment in the Company through the month of May 2006 (the time of the appointment as the Chairman of the Board of Directors).

A provision for such additional severance grant was recorded in the financial statements.

Under certain circumstances of termination of employment, before the end of the employment period and subsequent, or at its end, the Chairman of the Board of Directors is entitled to special severance vacation of three months.

- (5) The liability for allowance represents the Company's obligation to pay its former CEO (who departed in 1983) a life annuity and, in the case of death, pay his widow 65% of the allowance to which the manager was entitled, for the remainder of her life. The allowance liability has been included based on an actuarial computation, capitalized at an interest rate of 3.74%.
- (6) Employment contracts signed with a group of executives entitle them under certain conditions of early termination to receive a grant equaling three months' pay. The Company has no intention of terminating these executives and, therefore, no provision has been recorded in respect of this grant.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 17 - DEFERRED TAXES

A. Composition and movement:

	Consolidated
	Income and expenses exchange differentials
	NIS in thousands
Balance January 1, 2006	(140)
<u>Movement during the period</u> -	
Movement during the period in the statement and operation	(480)
Balance December 31, 2006	(620)
<u>Movement during the period</u> -	
Movement during the period in the statement and operation	20
Balance December 31, 2007	(600)

B. The deferred taxes have been presented in the framework of current liabilities.

NOTE 18 - CONTINGENT LIABILITIES

A. Indemnification of officers

The Company is obliged to indemnify its officers as well as the CH officers while the MAOF Clearing House is obliged to indemnify its own officers.

The total indemnification amount for all the officers, cumulatively, based on the issued indemnification certificates in respect of at least one incident outlined therein shall not exceed \$20m.

The total indemnification amount for all the Tel Aviv Stock Exchange Clearing House officers, cumulatively, based on the issued indemnification certificates in respect of at least one incident outlined therein shall not exceed NIS 50m.

The total indemnification amount for all the MAOF Clearing House officers, cumulatively, based on the issued indemnification certificates in respect of at least one incident outlined therein shall not exceed NIS 75m.

The obligations for indemnification as mentioned will apply for any identifiable liability or expense in accordance with law.

The indemnification is subject to the provisions of Chapter III, Section 6 of the Companies Law

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 - CONTINGENT LIABILITIES (Cont.)

B. Exemption granted to officers

The Company's General Meeting resolved, subject to the provisions of the Companies Law, to exempt its directors and the other officers from responsibility in respect of any damage caused due to breach of their prudence responsibility towards the Company.

The General Meeting of the Tel Aviv Stock Exchange Clearing House resolved, subject to the provisions of the Companies Law, to exempt its directors and the other officers from responsibility in respect of any damage caused due to breach of their prudence responsibility towards the Tel Aviv Stock Exchange Clearing House.

The General Meeting of the MAOF Clearing House resolved, subject to the provisions of the Companies Law, to exempt its directors and the other officers from responsibility in respect of any damage caused due to breach of their prudence responsibility towards the MAOF Clearing House.

- C.** A lawsuit was filed against the Company in August 2000 for NIS 17m (as of the claim's filing date) by a company that had requested to register for trade, together with 13 of its shareholders, alleging damages caused by the Company's refusal, at the beginning of 1994, to enable the registration of the plaintiff company's shares based on their prospectus and the delays resulting from it.

In December 2003 the Tel Aviv District Court rejected the claim.

During the month of February 2004, the plaintiffs filed an appeal with the Supreme Court. In the course of the year 2004, the parties presented a summary of allegations. During the month of February 2007, a discussion was held on the appeal before the Supreme Court. A ruling on the appeal has not yet been handed down.

According to the company's legal counsels estimation, it is hard to foresee the results of an appeal that will be discussed in the superior court of law, all the more so in an appeal like this that binds a few innovative cases that haven't been decided yet in this instance.

Subject to the above, it is the opinion of the management of the Company, based on the opinion of its legal advisors on this matter, that the Company has good arguments and responses, and that it appears that the likelihood that the appeal filed will be rejected is more reasonable than the likelihood that it will be accepted. The assessment of the management of the Company is that the amount and rationale for the claim are covered by the appropriate insurance policy.

No provision has been recorded in respect thereof.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 - CONTINGENT LIABILITIES AND SPECIAL COMMITMENTS (Cont.)

- D. On April 10, 2006, a claim was filed against the Stock Exchange and against a registration company of a bank, along with a request to approve it as a class action.

The subject of the claim in summary is that, the allegation (denied) of the claimant that the malfunction and negligence of the Stock Exchange, the registration and the Securities Authority (which was not sued by it for the reasons specified in the claim) led to a situation in which the controlling interests in the Online Promotion and Investment Company Ltd. (hereafter "Online") succeeded in carrying out a complex fraudulent act, at the end of which, approximately 9.8 million fictitious shares, which deviated from the amount of the issued, paid and approved capital for registration on the Stock Exchange, was recorded for trading on the Stock Exchange and actually sold to the public. The claimant alleges (also denied) that the tradability of these shares on the Stock Exchange caused various damages to him and the other members of the group which he wishes to represent that he approximates in a total amount of approximately NIS 18 million, derived primarily from the "plunge" in the value of the Online shares and in their suspension from trading on the Stock Exchange.

On April 4, 2006, the shareholders of Online filed a request with the District Court to freeze proceedings against the Company and to appoint a trustee for the purpose of formulating an arrangement or compromise under Sections 350 and 351 of the Companies Law. On April 26, 2006, the court appointed a trustee for the company (hereafter- "the trustee").

On April 10, 2007, the District Court, at the request of the trustee, approved a creditors' arrangement and an arrangement with the shareholders of Online in accordance with Sections 350 and 351 of the Companies Law, in the context of which, inter alia, the recommendation of the shareholders was approved and also all of the obligations and rights of the Online Company were assigned to the trustee.

On July 1, 2007, the District Court, before which the deliberations on the claim and the request for a class action were held, decided to expunge the claim and the request for a class action, this in view of the aforementioned ruling of the court on April 10, 2007.

NOTE 19 - ADDITIONAL DETAILS PERTAINING TO COST OF SALES

Salaries and social benefits:

1. The 2007 expenses reflect an amortization of wages and social benefits associated with the development of computing systems in an amount of NIS 5.6 m (2006- NIS 4 m; 2005- NIS 2.7m).
2. Up to the date that the financial statements were approved, a wage agreement for the year of 2007 had not yet been signed and salary updates for the executive employees of the Company had not yet been fixed. The financial statements include a provision for the costs of the wage agreement for the year of 2007, pursuant to an approximation by the management of the stock exchange.

NOTE 20 - PARTICIPATION IN EXPENSES BY THE MA'OF CLEARING HOUSE LTD

The participation of the MAOF Clearing House Ltd. in the expenses of the Company is calculated in relation to the revenues of each company pursuant to an agreement between the two entities.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 - FINANCING INCOME, NET

consolidated Composition:

	For the year ended December 31,		
	2007	2006	2005
NIS in thousands			
Finance Expenses-			
Bank fees and commissions	(224)	(*) (258)	(428)
Other finance expenses	(32)	-	-
Interest tax expenses	(17)	-	(213)
	<u>(273)</u>	<u>(258)</u>	<u>(641)</u>
Finance income-			
Gain from marketable securities, net	13,624	(*) 9,887	12,306
Income from deposits	1,869	(*) 1,702	926
Interest tax income	208	2	-
Income from interest of employees loans	50	27	27
	<u>15,751</u>	<u>11,618</u>	<u>13,259</u>
	<u>15,478</u>	<u>11,360</u>	<u>12,618</u>

(*) Reclassified.

company Composition:

	For the year ended December 31,		
	2007	2006	2005
NIS in thousands			
Finance Expenses-			
Bank fees and commissions	(127)	(*) (126)	(478)
	<u>(127)</u>	<u>(126)</u>	<u>(478)</u>
Finance income-			
Gain from marketable securities, net	6,885	(*) 6,726	7,872
Income from deposits	321	291	710
Interest tax income	82	-	-
Income from interest of employees loans	50	27	27
	<u>7,338</u>	<u>7,044</u>	<u>8,609</u>
	<u>7,211</u>	<u>6,918</u>	<u>8,131</u>

(*) Reclassified

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - INCOME TAXES

A. Income tax expenses:

	Consolidated		
	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Current taxes	30,118	17,529	20,217
Prior years' taxes	408	2	165
Deferred taxes	(20)	480	140
	30,506	18,011	20,522

	Company		
	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Current taxes	23,386	14,050	15,153
Prior years' taxes	(39)	-	165
	23,347	14,050	15,318

B. Relevant tax laws:

The provision for taxes was determined in consideration of the directives of the Income Tax Law (Adjustments for Inflation), 1985, which prescribed measurement of the results for tax purposes on a real basis in accordance with increases in the CPI.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - INCOME TAXES (Cont.)

C. Effective tax

The difference between the tax computed on taxable income based on ordinary tax rates and the provision for income taxes is explained below:

	Consolidated		
	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Pre-tax income	103,646	(*) 53,375	(*) 59,786
Tax computed by the ordinary tax rate	30,057	16,546	20,327
Increase (saving) in tax in respect of:			
Income taxable at special rates (including capital gain or loss)	(409)	(348)	(298)
Losses and benefits in respect of which no deferred taxes have been recorded	(1,621)	(*) 1,418	(*) -
Utilization of prior years' losses and benefits in respect of which no deferred taxes have been recorded	-	-	(270)
Disallowed expenses	515	512	517
Differences in definition of capital and assets	(1,686)	(72)	81
Tax in respect of prior years	408	2	165
Others	-	(47)	-
Income taxes	30,506	18,011	20,522

	Company		
	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Pre-tax income	78,549	(*) 40,149	(*) 42,852
Tax computed by the ordinary tax rate	22,779	12,446	14,570
Increase (saving) in tax in respect of:			
Income taxable at special rates (including capital gain or loss)	(213)	(264)	(192)
Losses and benefits in respect of which no deferred taxes have been recorded	1,621	(*) 1,428	(*) 229
Disallowed expenses	515	512	517
Differences in definition of capital and assets	(1,316)	(72)	29
Tax in respect of prior years	(39)	-	165
Income taxes	23,347	14,050	15,318

(*) Retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2I.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 22 - INCOME TAXES (Cont.)

D. Tax assessments

The Company and its subsidiary- MAOF Clearing House Ltd. and The TASE Clearing House Ltd. have received final tax assessments up to, and including, the 2003 tax -year.

E. According to the Law for Amending the Income Tax Ordinance (No. 147), 2005, the current 34% corporate-tax rate would be gradually reduced commence 2006 (corporate tax rate of 31%) up to tax rate of 25% in 2010 (tax rate of 29%, 27% and 26% for the 2007, 2008 and 2009 tax-years, respectively).

F. On February 26, 2008, in a third reading, the Knesset passed the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Limitation of Effective Period), 2008 (hereafter- "the amendment"), according to which the provisions of the Adjustments for Inflation Law terminate in the tax year of 2007, and starting from the tax year of 2008, the provisions of the law will no longer apply, other than the transitional provisions for the purpose of preventing distortions in tax calculations.

According to the amendment, in the tax year 2008 and thereafter, the calculation of the adjustment of income for tax purposes to a real measurement basis will no longer be made. Furthermore, the linkage to the CPI of depreciation on fixed assets and of carry-forward losses for tax purposes will be discontinued so that these amounts will be adjusted up to the CPI as of the end of the tax year of 2007 and their linkage will cease from that date and thereafter.

NOTE 23 - BALANCES OF AND TRANSACTIONS WITH RELATED PARTIES

A. Balances with interested and related parties:

	Consolidated		Company	
	Year ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
	NIS in thousands			
In current assets (1)				
Cash and cash equivalents	3,775	1,842	952	1,322
Receivables and other current assets	-	-	1,902	1,298
In investments:				
In an affiliate	4,411	4,089	4,411	4,089
In subsidiaries	-	-	109,717	91,779
In current liabilities:				
Payables and other current liabilities - MAOF Clearing members	2,736	2,066	-	-

(1) The balances are unlinked and non-interest bearing.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 - BALANCES OF AND TRANSACTIONS WITH RELATED PARTIES (Cont.)

B. Transactions with interested and related parties

	<u>Consolidated</u>			<u>Company</u>		
	<u>Year ended December 31,</u>			<u>Year ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<u>NIS in thousands</u>					
Revenues from services	154,265	106,009	99,918	115,044	76,826	67,654
Cost of revenues						
Rental fees	2,875	2,885	2,804	2,875	2,885	2,804
Participation in expenses by the MAOF Clearing House (*)	-	-	-	30,123	28,547	30,985

(*) see note 20.

C. Benefits to interested parties

	<u>Consolidated</u>		
	<u>Year ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<u>NIS in thousands</u>		
Salary and social benefits to the CEO and Chairman of the Board	4,296	4,316	3,763
Number of people	2	(*) 3	2
Fees of non-employed directors	345	386	183
Number of people	7	8	8

(*) As from June 1, 2006 the previous CEO of the stock exchange serves as the chairman of the Board of Directors, and as from that date a new CEO was appointed.

D. Additional information pertaining to interested parties:

1. The Company and the subsidiaries have financing income and expenses from transactions with interested parties that are banks and other Stock Exchange members, which result from transactions executed in the ordinary course of business. These amounts are, for the most part, derived from the placing of deposits with banks, administering current accounts and managing securities portfolios, and are included in the framework of "financing income, net".
2. As for the establishment of a credit line for the Tel Aviv Stock Exchange Clearing House Ltd. - see Note 9(B)3.
3. As for the ownership change of Tel Aviv Stock Exchange Clearing House Ltd. - see Note 9(B)2.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL INSTRUMENTS

A. Purposes and policies of risks management:

The Stock Exchange's operations expose it to risks connected with various financial instruments, and primarily, credit risk and market risk, as described below. According to the comprehensive risk management policy, the group is focused in activities to diminish into minimum the various risks that the group is exposed to in its activities.

Management of credit risks- as they relate to risks of the Clearing Houses- is executed by the director of trading and Clearing Houses, pursuant to the articles of association of the Stock Exchange and the by-laws of the Clearing Houses, and management of market risks is executed by the CFO of the Stock Exchange, all in accordance with the policies approved by the Board of Directors.

Market risk:

The Group has investments in marketable financial assets, and, principally, securities that are traded on the Stock Exchange. The Group has exposure due to changes in the fair value of these financial instruments as the result of changes in their market prices.

Credit risk:

The operations of the Stock Exchange Clearing House and the MAOF Clearing House expose the Group to credit risks that are derived from the fact that a member of the Clearing House who is party to transactions executed on the Stock Exchange will be unable to abide by them.

In order to diminish these credit risks, law amendments have been enacted which increased the stability of the clearing houses. Moreover, the members of the clearing houses deposit collateral for the purpose of limiting the exposure of the Clearing Houses, and, in addition, risks funds were established in order to insure the Clearing Houses against non-compliance of the members with their obligations, as described in Notes 6 and 7 above.

B. Fair value of financial instruments

The financial instruments of the Group mainly include cash and cash equivalents, deposits, marketable securities, trade receivables, other current assets, trade payables, other current liabilities, receivables and payables with respect to securities not transferred to the Stock Exchange Clearing House on a timely basis, and assets and liabilities with respect to open derivative positions.

Due to their nature, the balances in the December 31, 2007 balance sheet of the Group's financial instruments are close to their fair value.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL INSTRUMENTS (Cont.)

C. Linkage terms of monetary balances - December 31, 2007:

	Consolidated balance sheet:				
	Linked to the CPI	Foreign currency and linked to foreign currency	Unlinked		Total
			Interest- bearing	Non-interest Bearing	
			NIS in thousands		
<u>Assets:</u>					
Cash and cash equivalents	-	2,141	32,940	296	35,377
Marketable securities	74,506	5,069	60,775	31,200	171,550
Trade accounts receivable	-	118	-	8,296	8,414
Receivables with respect to open MAOF positions	-	-	-	96,487	96,487
Assets derived from securities not transferred to the Stock Exchange Clearing House on a timely basis	-	-	-	59,943	59,943
Receivables and other current assets	5,610	46	-	1,207	6,863
	<u>80,116</u>	<u>7,374</u>	<u>93,715</u>	<u>197,429</u>	<u>378,634</u>
<u>Liabilities:</u>					
Trade accounts payable	-	-	-	13,606	13,606
Payables with respect to open derivative positions	-	-	-	96,487	96,487
Liabilities with respect to securities not transferred to the Stock Exchange Clearing House on a timely basis	-	-	-	59,943	59,943
Payables and other current liabilities	5,526	36	-	31,397	36,959
	<u>5,526</u>	<u>36</u>	<u>-</u>	<u>201,433</u>	<u>206,995</u>
Excess assets over liabilities (excess liabilities over assets)	<u>74,590</u>	<u>7,338</u>	<u>93,715</u>	<u>(4,004)</u>	<u>171,639</u>

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL INSTRUMENTS (Cont.)

C. Linkage terms of monetary balances - December 31, 2007: (Cont.)

	Company balance sheet:				Total
	Linked to the CPI	Foreign currency and linked to foreign currency	Unlinked		
			Interest- bearing	Non-interest Bearing	
			NIS in thousands		
<u>Assets:</u>					
Cash and cash equivalents	-	2,057	12,289	129	14,475
Marketable securities	33,214	1,988	30,005	15,371	80,578
Trade accounts receivable	-	118	-	8,130	8,248
Receivables and other current assets	2,227	-	-	3,109	5,336
	35,441	4,163	42,294	26,739	108,637
<u>Liabilities:</u>					
Trade accounts payable	-	-	-	13,606	13,606
Payables and other current liabilities	5,217	36	-	27,364	32,617
	5,217	36	-	40,970	46,223
Excess assets over liabilities (excess liabilities over assets)	30,224	4,127	42,294	(14,231)	62,414

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL INSTRUMENTS (Cont.)

C. Linkage terms of monetary balances - December 31, 2006: (Cont.)

	Consolidated balance sheet:				Total
	Linked to the CPI	Foreign currency and linked to foreign currency	Unlinked		
			Interest- bearing	Non-interest bearing	
			NIS in thousands		
<u>Assets:</u>					
Cash and cash equivalents	-	-	-	26,240	(*) 26,240
Marketable securities	63,013	4,019	74,968	29,535	171,535
Trade accounts receivable	-	-	-	4,955	4,955
Receivables with respect to open MAOF positions	-	-	-	329,499	329,499
Assets derived from securities not transferred to the Stock Exchange Clearing House on a timely basis	-	-	-	143,001	143,001
Receivables and other current assets	4,101	51	-	3,517	(*) 7,669
	67,114	4,070	74,968	536,747	682,899
<u>Liabilities:</u>					
Trade accounts payable	-	-	-	10,942	10,942
Payables with respect to open derivative positions	-	-	-	329,499	329,499
Liabilities with respect to securities not transferred to the Stock Exchange Clearing House on a timely basis	-	-	-	143,001	143,001
Payables and other current liabilities	291	-	-	26,134	26,425
	291	-	-	509,576	509,867
Excess assets over liabilities	66,823	4,070	74,968	27,171	173,032

(*) Reclassified

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 - FINANCIAL INSTRUMENTS (Cont.)

C. Linkage terms of monetary balances - December 31, 2006: (Cont.)

	Company balance sheet:				Total
	Linked to the CPI	Foreign currency and linked to foreign currency	Unlinked		
			Interest- bearing	Non-interest Bearing	
			NIS in thousands		
<u>Assets:</u>					
Cash and cash equivalents	-	-	-	16,548	16,548
Marketable securities	29,153	2,536	40,261	15,256	87,206
Trade accounts receivable	-	-	-	4,892	4,892
Receivables and other current assets	2,023	-	-	4,720	6,743
	31,176	2,536	40,261	41,416	115,389
<u>Liabilities:</u>					
Trade accounts payable	-	-	-	10,942	10,942
Payables and other current liabilities	-	-	-	22,702	22,702
	-	-	-	33,644	33,644
Excess assets over liabilities	31,176	2,536	40,261	7,772	81,745

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL DATA ACCORDING TO IFRS REPORTING

A. General:

Following the issuance in July 2006 of Accounting Standard No. 29, "Adoption of International Financial Reporting Standards (IFRS)", it is the Company's intention to adopt the IFRS commencing from January 1, 2008.

According to the instructions of IFRS 1, which deals with the initial adoption of the IFRS, and taking into account the date on which the Company elected to adopt these standards for the first time, the initial financial statements that the Group must prepare according to the IFRS are the consolidated financial statements as of December 31, 2008 and for the year ended on that date. The transition date of the Company for reporting pursuant to the IFRS, as determined in IFRS 1, is January 1, 2007 (hereafter- "the transition date"), with the opening balance sheet being the balance sheet as of January 1, 2007 (hereafter- "the opening balance sheet").

In the context of the opening balance sheet, the Company performed the following actions:

- Recognition of each asset or liability, the recognition of which is required by the IFRS.
- Non recognition of assets and liabilities which, according to the IFRS, are not to be recognized in the balance sheet.
- Classification of items of assets, liabilities and shareholders' equity pursuant to the IFRS.
- Measurement of all assets and liabilities recognized according to the IFRS.

IFRS 1 stipulates that the implementation of the IFRS in the opening balance sheet should be done retroactively. Nonetheless, IFRS1 includes figure of extenuations on which a retroactive implementation is not obligated. For the extenuation that the company chose to adopt -see Note 25 F.

Changes in accounting policies that the Company implements retroactively in the opening balance sheet according to the IFRS, as compared with generally accepted accounting policies in Israel, have been recognized directly in retained earnings.

This note was prepared on the basis of international accounting standards and financial reporting and relevant clarifications known of at present, which have been issued and will become effective or which may be adopted earlier than the first annual reporting date of the Group according to the IFRS , December 31, 2008.

The IFRS accounting standards, which will become effective or which may be adopted in the financial statements for the year ended December 31, 2008, are subject to changes and the issuance of additional clarifications. Therefore, the accounting policy rules that will be implemented with respect to the periods presented will only be determined on a final basis as the time of preparation of the initial financial statements according to the IFRS as of December 31, 2008.

The consolidated balance sheets of the Company as of January 1, 2007 and December 31, 2007, the consolidated statements of operations for the year ended on December 31, 2007, and the total shareholders' equity of the Company, prepared according to international accounting rules, are presented as follow. Additionally, major adjustments needed for the transition of reporting pursuant to generally accepted accounting principles in Israel to reporting according to the IFRS are presented.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL DATA ACCORDING TO IFRS REPORTING (Cont.)

B. Consolidated balance sheets:

	see Note	As of December 31 2007			As of January 1, 2007		
		Israeli standards	Adjustments	IFRS	Israeli standards	Adjustments	IFRS
NIS in thousands							
<u>Current assets</u>							
Cash and cash equivalents		35,377	-	35,377	26,240	-	26,240
Marketable securities		171,550	-	171,550	171,535	-	171,535
Trade accounts receivable		8,414	-	8,414	4,955	-	4,955
Receivables with respect to open derivative positions		96,487	-	96,487	329,499	-	329,499
Assets with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis		59,943	-	59,943	143,001	-	143,001
Receivables and other current assets		6,863	-	6,863	7,669	-	7,669
		<u>378,634</u>	<u>-</u>	<u>378,634</u>	<u>682,899</u>	<u>-</u>	<u>682,899</u>
<u>Investment in affiliate company</u>		<u>4,411</u>	<u>-</u>	<u>4,411</u>	<u>(*) 4,270</u>	<u>-</u>	<u>4,270</u>
<u>Fixed assets</u>		<u>52,763</u>	<u>-</u>	<u>52,763</u>	<u>17,285</u>	<u>-</u>	<u>17,285</u>
<u>Other assets and deferred expenses</u>							
Intangible assets		20,431	-	20,431	10,697	-	10,697
Other assets and deferred expenses		31,181	-	31,181	-	-	-
		<u>51,612</u>	<u>-</u>	<u>51,612</u>	<u>10,697</u>	<u>-</u>	<u>10,697</u>
		<u>487,420</u>	<u>-</u>	<u>487,420</u>	<u>715,151</u>	<u>-</u>	<u>715,151</u>
<u>Current liabilities</u>							
Trade accounts payable		13,606	-	13,606	10,942	-	10,942
Payables with respect to open derivative positions		96,487	-	96,487	329,499	-	329,499
Liabilities with respect to securities not transferred to the Stock Exchange Clearing House on a timely basis.		59,943	-	59,943	143,001	-	143,001
Payables and other current liabilities	1	<u>36,959</u>	<u>(600)</u>	<u>36,359</u>	<u>26,425</u>	<u>(620)</u>	<u>25,805</u>
		<u>206,955</u>	<u>(600)</u>	<u>206,395</u>	<u>509,867</u>	<u>(620)</u>	<u>509,247</u>
<u>Long-term liabilities</u>							
Liabilities due to employees benefit plans	2	6,770	(21)	6,749	5,167	598	5,765
Deferred taxes	1	<u>-</u>	<u>600</u>	<u>600</u>	<u>-</u>	<u>620</u>	<u>620</u>
		<u>6,770</u>	<u>579</u>	<u>7,349</u>	<u>5,167</u>	<u>1,218</u>	<u>6,385</u>
<u>Shareholders' equity</u>		<u>273,655</u>	<u>21</u>	<u>273,676</u>	<u>(*)200,117</u>	<u>(598)</u>	<u>199,519</u>
		<u>487,420</u>	<u>-</u>	<u>487,420</u>	<u>715,151</u>	<u>-</u>	<u>715,151</u>

(*) After the effect of initial implementation by an investee of Standard No. 16- Investment Real Estate.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL DATA ACCORDING TO IFRS REPORTING (Cont.)

C. Consolidate statement of operations

Year ended December 31, 2007

	see Note	Israeli standards	Effect of transition to international standards NIS thousands	International standards
Revenues from services				
Trading and clearing commissions		150,539	-	150,539
Securities registration and annual fees		51,753	-	51,753
Clearing House services		19,973	-	19,973
Presentation of trade as well as other data		32,790	-	32,790
Other		2,462	-	2,462
		<u>257,517</u>	<u>-</u>	<u>257,517</u>
Cost of revenues				
Salaries and social benefits	2	89,506	(619)	88,887
IT and communication expenses		20,336	-	20,336
Rent, municipal taxes and building maintenance		10,595	-	10,595
General and administrative expenses		12,394	-	12,394
Marketing		7,247	-	7,247
Fee to Israeli Securities Authority		7,460	-	7,460
Depreciation and amortization		11,155	-	11,155
Premiums in respect of the MAOF Risk Fund		10,153	-	10,153
		<u>168,846</u>	<u>(619)</u>	<u>168,227</u>
<u>Operating income before net financing</u>		88,671	619	82,290
Financing income	3	15,478	273	15,751
Financing expenses	3	-	(273)	(273)
<u>Operating income after net financing</u>		104,149	619	104,768
Other expenses, net		503	-	503
<u>Pre-tax income</u>		103,646	619	104,265
Income taxes		30,506	-	30,506
<u>Income after income taxes</u>		73,140	619	73,759
Company's share in earnings of invested, net		398	-	398
<u>Net income for the year</u>		<u>73,538</u>	<u>619</u>	<u>74,157</u>

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL DATA ACCORDING TO IFRS REPORTING (Cont.)

D. Equity adjustments

	<u>Capital Reserve</u>	<u>Retained Earnings</u> NIS thousands	<u>Total</u>
Balance - January 1, 2007			
Israeli standards	3,200	196,917	200,117
Effect of measurement of employees Benefits under the new standards	-	(598)	(598)
Balance - January 1, 2007 - International standards	<u>3,200</u>	<u>196,319</u>	<u>199,519</u>
Balance - December 31, 2007			
Israeli standards	3,200	270,455	273,655
Adjustment opening balance	-	(598)	(598)
Effect of measurement of employees Benefits under the new standards	-	619	619
Balance - December 31, 2007 - International standards	<u>3,200</u>	<u>270,476</u>	<u>273,676</u>

E. Additional data

(1) Deferred taxes

According to generally accepted accounting principles in Israel, deferred tax assets and deferred tax liabilities are presented by separating current assets from non-current assets and current liabilities from non-current liabilities, respectively.

Pursuant to international standards, IAS 12 determines that deferred tax assets and deferred tax liabilities are presented as non-current assets and non-current liabilities, respectively.

As a result, the amount of approximately NIS 600 thousand was classified from other current liabilities to deferred taxes in the context of non-current liabilities as of December 31, 2007.

As of the transition date - the amount of approximately NIS 620 thousand was classified from other current liabilities to deferred taxes in the context of non-current liabilities.

(2) Benefits to employees

According to the Israeli accounting standards, accrual for severance payments is computed as a multiple of last salary in the employee's seniority.

According to International standards accrual for severance payment is computed on a base of actuary estimations which includes expected duration of employment, time value and expectation for wages rise until retirement and the possibility that the employees will retire with conditions that will not credit them the compensation.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 - FINANCIAL DATA ACCORDING TO IFRS REPORTING (Cont.)

E. Additional data (Cont.)

(2) Benefits to employees (Cont.)

Also, according to generally accepted accounting principles in Israel, deposits to a policy or to executive insurance which is not in the name of the employee, but in the name of the employer, is offset from the liability of the employer.

The measurement difference as of January 1, 2007, amounting to approximately NIS 598 thousand, was recorded to the balance of retained earnings.

The effect of the aforesaid is an increase in net liabilities for employee benefit plans as of January 1, 2007 in the amount of approximately NIS 598 thousand and a decrease in the liability as of December 31, 2007 in the amount of NIS 21 thousand, as well as a reduction in salary expenses in the amount of approximately NIS 619 thousand.

The Company has elected the "Corridor" method for the treatment of actuarial gains or losses.

According to the directives of IAS 19, the discount rate for the computation of the Accrued severance pay will be in accordance with the market yield on high quality corporate debentures as of the end of the reporting period. In countries in which no intensive market exists for such debentures, use will be made of the market yields on government debentures.

The discount rate used for the computation of actuarial liabilities is determined by the use of market yields of Government bonds. The matter of the discount rate is being examined and it is possible that a decision will finally be reached that, in Israel, the appropriate discount rate is one that is based upon market yields of corporate bonds. In the event that such decision will be made, the data that was calculated and included in the note will change, since the use of a higher discount rate will reduce the actuarial obligations, on the one hand, and increase the current interest costs with respect to the actuarial liabilities, on the other.

(3) Financing income/expenses

According to generally accepted accounting principles in Israel, financing expenses and income are presented in the statement of operations in one amount.

According to international standards, IAS 1 prescribes that the financing expenses should be presented separately from financing income.

As a result, financing income of approximately NIS 15,751 thousand and financing expenses of approximately NIS 273 thousand were presented for the year ended December 31, 2007.

F. Extenuations on retroactive implementation of IFRS which were adopted by the company:

IFRS1 includes figure of extenuations on which a retroactive implementation is not obligated. Hereby is the extenuation that the company chose to adopt:

Benefits to employees

The Company is implementing the "Corridor" approach for purposes of recognizing actuarial gains and losses, in accordance with the provisions of IAS 19. The Company has elected to recognize all of the cumulative actuarial gains and losses through January 1, 2007 in the context of retained earnings.

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 - NOMINAL FINANCIAL STATEMENT DATA FOR TAX PURPOSES - COMPANY

A. Balance sheets	December 31,	
	2007	2006
	NIS thousands	
<u>Current assets</u>		
Cash and cash equivalents	14,475	16,548
Marketable securities	80,578	87,206
Trade accounts receivable	8,248	(**) 4,892
Receivables and other current assets	5,336	(**) 6,743
	108,637	115,389
<u>Investments</u>		
Subsidiary	109,717	91,777
Affiliate	3,408	3,401
	113,125	95,178
<u>Fixed assets</u>		
	52,748	(*) 17,262
<u>Other assets and deferred expenses</u>		
	51,120	(*) 10,205
	325,630	238,034
<u>Current liabilities</u>		
Trade accounts payable	13,606	10,942
Payables and other current liabilities	32,617	22,702
	46,223	33,644
<u>Long-term liabilities</u>		
Accrued severance pay, net	6,770	5,167
<u>Shareholders' equity</u>		
	272,637	(*) 199,223
	325,630	238,034

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

(**) Reclassified

THE TEL-AVIV STOCK EXCHANGE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 - NOMINAL FINANCIAL STATEMENT DATA FOR TAX PURPOSES - COMPANY (Cont.)

B. Statements of operation:	Year ended December 31,		
	2007	2006	2005
	NIS thousands		
Revenues			
Trading and clearing commissions	93,461	67,259	62,593
Securities registration and annual fees	51,753	34,896	28,575
Clearing House services	19,943	15,198	12,761
Presentation of trade as well as other data	32,790	24,762	20,442
Other	2,462	3,050	1,741
	200,409	145,165	126,112
Cost of revenues			
Salaries and employees' benefits	89,506	81,666	71,984
IT and communication expenses	20,336	(*),18,198	(*),13,117
Rent, municipal taxes and building maintenance	10,595	9,462	9,121
General and administrative expenses	12,392	(**),9,808	8,337
Marketing	7,247	3,746	2,428
Fee to Israeli Securities Authority	7,460	7,078	7,306
Depreciation and amortization	11,153	(*),10,479	(*),10,111
	158,689	140,437	122,402
Participation in expenses by the MAOF Clearing House Ltd.	(30,123)	(28,547)	(30,985)
	128,566	111,890	91,417
Operating income before net financing	71,843	33,275	34,695
Financing income, net	7,211	6,918	8,131
Operating income after net financing	79,054	40,193	42,826
Other income (expenses), net	(501)	(53)	93
Pre-tax income	78,553	40,140	42,919
Income taxes	23,347	14,050	15,318
Income after income taxes	55,206	26,090	27,601
Company's share in earnings of investees, net	18,204	9,544	12,024
Net income for the year	73,410	35,634	39,625

(*) Reclassified and retroactively adjusted following initial implementation of Accounting Standard No. 30-see Notes 2H and 2I.

(**) Reclassified