THE TEL-AVIV STOCK EXCHANGE LTD.

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2008

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FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2008

Contents

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

We have audited the accompanying consolidated balance sheets of The Tel-Aviv Stock Exchange Ltd. ("the Company"), as of December 31, 2008 and 2007, and the consolidated statements of operations, changes in equity and cash flows for each of the related years ended on those dates. 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 in Israel, 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, based upon our audits, the aforementioned financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2008 and 2007, and the results of operations, changes in equity and cash flows for each of the years in the period ended on those dates, in conformity with International Financial Reporting Standards (IFRS) and the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993.

**Brightman Almagor & Co.
Certified Public Accountants**

Tel Aviv, Israel
April 2, 2009

THE TEL-AVIV STOCK EXCHANGE LTD
CONSOLIDATED BALANCE SHEETS

	Note	December 31, 2008	December 31, 2007
		NIS in thousands	
Assets			
Current assets			
Cash and cash equivalents	4	67,868	35,377
Financial assets at fair value through operations-held for trading	18	166,392	171,550
Trade accounts receivable		12,379	8,414
Assets derived from clearing operations:			
Receivables with respect to open derivative positions	5	73,186	96,487
Assets with respect to securities that were not transferred to the TASE Clearing House on a timely basis	6	37,285	59,943
Receivables and other current assets	7	3,085	3,480
Current tax assets	14	622	3,383
Total current assets		360,817	378,634
Non current assets			
Investment in affiliate	8	4,216	4,411
Fixed assets, net	9,10	57,788	52,763
Intangible assets	11	33,867	20,431
Prepaid expenses for operating lease	9	31,181	31,181
Assets related to employee benefits	13	1,087	-
Total non current assets		128,139	108,786
Total assets		488,956	487,420
Liabilities and shareholders' equity			
Current liabilities			
Trade accounts payable		13,037	13,606
Liabilities derived from clearing operations:			
Payables with respect to open derivative positions	5	73,186	96,487
Liabilities with respect to securities that were not transferred to TASE Clearing House on a timely basis	6	37,285	59,943
Liabilities with respect to current taxes	14	1,888	2,581
Liabilities with respect to employee benefits	13	26,262	26,290
Payables and other current liabilities	12	6,255	7,488
		157,913	206,395
Non current liabilities			
Liabilities with respect to employee benefits	13	2,890	6,749
Liabilities for deferred taxes	14	-	600
Total non current liabilities		2,890	7,349
Shareholders' equity			
Capital reserves		3,200	3,200
Retained earnings		324,953	270,476
Total shareholders' equity		328,153	273,676
Total liabilities and shareholders' equity		488,956	487,420

Saul Bronfeld	**Ester Levanon**	**Joseph Treister**
Chairman of the Board	**CEO and Director**	**CFO**

Tel Aviv, April 2, 2009
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, 2008	Year ended December 31, 2007
		NIS in thousands	
Revenues from services			
Trading and clearing commissions		139,891	150,539
Securities registration and annual fees		35,572	51,753
Clearing House services		23,913	19,973
Presentation of trade and other data		32,321	32,790
Other		2,529	2,462
Total revenues from services		234,226	257,517
Cost of revenues	16		
Employee benefits expenses	16a	84,792	88,887
IT and communication expenses		22,707	20,336
Rent, municipal taxes and building maintenance		10,356	10,595
General and administrative expenses		12,043	12,394
Marketing		5,028	7,247
Fee to Israeli Securities Authority		7,667	7,460
Depreciation and amortization	16b	11,769	11,155
Premiums for providing collateral to the MAOF Risk Fund		8,648	10,153
Other, net		60	503
Total cost of revenues		163,070	168,730
Operating income before net financing income		71,156	88,787
Financing income	17	2,858	15,751
Financing expenses	17	(403)	(273)
Total net financing income		2,455	15,478
Operating income after net financing income		73,611	104,265
Company's share in earnings of investees		196	398
Pre-tax income		73,807	104,663
Income taxes	14	19,330	30,506
Income for the year		54,477	74,157

The accompanying notes are an integral part of the financial statements

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

	Capital reserves	Retained earnings	Total
		NIS in thousands	
Balance - January 1, 2007	3,200	196,319	199,519
Changes in 2007			
Net income for the year	-	74,157	74,157
Balance - December 31, 2007	3,200	270,476	273,676
Changes in 2008			
Net income for the year	-	54,477	54,477
Balance - December 31, 2008	3,200	324,953	328,153

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, 2008	2007
	NIS in thousands	
CASH FLOWS - OPERATING ACTIVITIES		
Income from continuing activities	54,477	74,157
Tax expenses recognized in the statement of operations	19,330	30,506
Net financing income recognized in the statement of operations	(2,455)	(15,478)
Depreciation and amortization	11,769	11,155
Capital loss from realization of fixed and intangible assets	60	503
Company's share in undistributed profits of an affiliate	195	(141)
	83,376	100,702
Changes in asset and liability items		
Increase in trade accounts receivable and receivables and other current assets	(3,570)	(3,371)
Decrease in receivables with respect to open derivative positions	23,301	233,012
Decrease in assets with respect to securities that were not transferred to the TASE Clearing House on a timely basis	22,658	83,058
Decrease in trade accounts payable and payables and other current liabilities	(5,822)	(3,164)
Decrease in payables with respect to open derivative positions	(23,301)	(233,012)
Decrease in liabilities with respect to securities that were not transferred to the TASE Clearing House on a timely basis	(22,658)	(83,058)
Increase (decrease) in liabilities with respect to employee benefits	(4,974)	5,767
	69,010	99,934
Interest received	10,418	9,358
Interest paid	(243)	(273)
Taxes paid on current operations	(17,430)	(26,603)
	(7,255)	(17,518)
Net cash derived from operating activities	61,755	82,416
CASH FLOWS - INVESTING ACTIVITIES		
Acquisition of fixed assets	(9,348)	(34,376)
Proceeds from disposition of fixed assets	-	112
Acquisition of intangible assets	(7,892)	(7,680)
Payments for development costs capitalized to intangible assets	(9,030)	(5,617)
Proceeds from realization (acquisition) of financial assets held for trading, net	(2,272)	6,332
Taxes paid on financial assets held for trading	(681)	(733)
Payments for operating lease of land	-	(31,181)
Cash used in investing activities	(29,223)	(73,143)
Increase in cash and cash equivalents	32,532	9,273
Cash and cash equivalents at beginning of year	35,377	26,240
Effect of changes in exchange rates on cash balances held in foreign currency	(41)	(136)
Cash and cash equivalents at end of year	67,868	35,377

Appendix A- Non-cash activities

	2008	2007
Fixed assets purchased on credit	4,020	9,309

The accompanying notes are an integral part of 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, with its registered office at 54 Ahad Haam Street, Tel Aviv. The TASE has engaged in running a securities stock exchange.

The TASE Clearing House Ltd. ("TASE Clearing House") is wholly owned by the TASE since being acquired in September 2006 and is mainly engaged in securities clearance, other than derivatives, and providing Central Securities Depository services.

The MAOF Clearing House Ltd. (MA'OF Clearing House) is wholly owned by the TASE and it is primarily engaged in issuance of options and forward contracts (derivatives) and rendering clearance services for these derivatives.

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

C. **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 Note 8.
Subsidiary	-	companies directly or indirectly controlled (as defined in IAS 27) by the Company, whose financial statements are fully consolidated with those of the Company.
Affiliate	-	a company in which the Company exercises significant influence, and the investment of the Group in which has been included, directly or indirectly, in the Company's financial statements on the basis of the equity method.
Investee	-	a subsidiaries and affiliates.
Related parties	-	as defined in IAS 24 with regard to related parties.
Interested parties	-	as defined in the Israeli Securities Law and its regulations.
The effective interest method	-	a method for computing the amortized cost of a financial asset or a financial liability and of allotting interest income or expenses over the relevant period according to the effective interest rate. The effective interest rate is the rate which accurately discounts the forecasted stream of cash receipts or future payments over the anticipated length of life of the financial instrument, or, as the case may be, a shorter period. See also Note 2M (1) (e) "CPI linked financial assets and financial liabilities".
CPI	-	the Israeli Consumer Price Index, as published by the Central Bureau of Statistics.
Dollar	-	the US dollar.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A. Implementation of International Financial Reporting Standards (IFRS)

(1) Declaration regarding the implementation of International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Group were prepared in accordance with the International Financial Reporting Standards (IFRS) and their clarifications published by the International Accounting Standards Board (IASB). The principal accounting policies detailed below were applied consistently for all reporting periods presented in these consolidated financial statements as well as when preparing the opening balance sheet pursuant to the IFRS.

(2) Initial adoption of the IFRS

In accordance with the directives of Accounting Standard Number 29 of the Israel Accounting Standards Board, "Adoption of International Financial Reporting Standards" (thereafter- "Standard 29"), beginning from January 1, 2008, the Group has applied the IFRS and their related clarifications published by the International Accounting Standards Board (IASB).

In view of this fact, these consolidated financial statements as of December 31, 2008 and for the year ended on that same date are the first annual financial statements prepared in accordance with the IFRS.

IFRS No.1," Initial Adoption of IFRS Standards" (hereafter- "IFRS 1"), which was implemented in these consolidated financial statements, stipulates the transitional rules for initial reporting according to the IFRS. Pursuant to the instructions of IFRS 1, the transition date of the Group according to the IFRS, as defined by IFRS 1, is January 1, 2007 (hereafter- "the transition date") and the balance sheet as of that date will be the opening balance sheet according to the IFRS (hereafter- "the opening balance sheet").

All of the IFRS issued until December 31, 2008 have been applied retroactively for all reporting periods presented in the consolidated financial statements. In implementing the above transitional provisions, the Group has elected to apply the concession permitted by IFRS 1 with relation to the measurement of employee benefits after termination of their employment according to which all actuarial gains and losses accrued through January 1, 2007 are recognized in the framework of retained earnings beginning from that date.

The Company is implementing the "corridor" method for purposes of recognition of actuarial gains and losses, pursuant to the provisions of IAS 19, as detailed in Note 2P below.

Prior to adopting the IFRS, the Group had prepared its financial statements in accordance with generally accepted accounting principles in Israel. The latest annual financial statements of the Company in accordance with generally accepted accounting principles in Israel had been prepared as of December 31, 2007 and for the year ended on that date. Comparative figures for this period have been restated in these financial statements in accordance with the IFRS.

See Note 22 regarding material differences between reporting according to the IFRS and reporting according to generally accepted accounting principles in Israel, to the extent relevant to the Group

See paragraph R (1) below with respect to the issuance of the amendment to IFRS 1 "Initial Adoption of the International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements".

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. The consolidated financial statements have been prepared in accordance with the Securities Regulations (Preparation of Annual Financial Statements)-1993, except regulations which do not allow implementation of IFRS, or whatever they do permit.

C. Basis for the preparation of the financial statements

Until December 31, 2003, Israel was considered to be a nation with hyper inflationary conditions. Accordingly, non monetary items in the balance sheet are presented on the basis of cost adjusted for changes in the CPI up to December 31, 2003. From that date onwards, the adjusted amounts served as the basis for reporting in periods subsequent to December 31, 2003 (hereafter-"historical cost"). The financial statements were prepared on the historical cost basis except:

- Financial instruments at fair value through operations measured at fair value: see paragraph M as regards the manner of determining fair value.
- Fixed assets and intangible property presented at the lower of historical cost, less accumulated depreciation and amortization, or recoverable value.
- Obligations for employee benefits, as itemized in Note 13

D. Foreign currency

(1) Functional currency and presentation currency

The consolidated financial statements are presented in NIS which is the functional currency of the Company, and was rounded to the nearest thousand. The NIS is the currency which represents the principal economic environment in which the Company operates.

(2) Translation of transactions that are not in the functional currency

In preparing the financial statements of each of the Group companies, transactions that are executed in currencies that differ from the functional currency of that company (hereafter - "foreign currency") are recorded at the rates of exchange that are effective on the date of the transactions. On each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rates effective on such date. Non monetary items are measured in terms of historical cost translated at the rates of exchange in effect on the date of execution of the transaction related to the non monetary item.

(3) Manner of recording exchange rate differences

Exchange rate differences are recognized in the statement of operations for the period in which they were derived.

E. Consolidated financial statements

The consolidated financial statements of the Group include the financial statements of the Company and of the entities that the Company controls, directly or indirectly. Control exists when the Company has the power to control the financial and operational policies of the company owned for purposes of obtaining benefits from its operations.

For consolidation purposes, inter-company transactions, balances, income and expenses have been fully eliminated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Investment in affiliate

An affiliate is an entity in which the Group has significant influence and it is not a subsidiary or a right in a joint venture. Significant influence is the power to participate in making decisions which relate to the financial and operational policies of the investee but do not represent control or joint control in those policies.
The results, assets and liabilities of the affiliate are included in the financial statements by using the equity method. According to the equity method, the investment in the affiliate is included in the consolidated balance sheet at cost adjusted for changes which took place subsequent to acquisition, in the share of the Group in net assets, including capital reserves, less impairment in value of the affiliate, if there was any.

G. Goodwill

Goodwill derived from the acquisition of a subsidiary is measured by the excess of the acquisition cost over the fair value of the identifiable assets, the identifiable liabilities and contingent liabilities of the subsidiary as of the acquisition date.
Goodwill is initially recognized as an asset at its cost and is measured in subsequent periods at cost less accumulated losses from impairment of value.

Goodwill is evaluated once annually or with higher frequency if there are signs that indicate a possibility of impairment of the value of the goodwill.

H. Cash and cash equivalents

Cash and cash equivalents include deposits 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.

I. Fixed assets

Fixed assets are tangible items held for the rendering of services where it is anticipated that they 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 any 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.

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:

	Anticipated useful life	%
Land and building under construction	-	-
Computers systems & auxiliary equipment	3-10 years	10%-33% (mostly 33%)
Equipment & systems (*)	3-16 years	6%-33%
Motor vehicles	6.6 years	15%
Installations and leasehold improvements (mainly visitors center) (*)	3-6.6 years	15%-33%

(*) Leasehold improvements and certain items of furniture and equipment are depreciated according to the anticipated date of transition to the new building. See also Note 9 below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Fixed assets (Cont.)

Scrap value, depreciation method and the useful lives of the assets are reviewed by management at the end of every fiscal year. Changes are handled as a change in estimate and are applied on a prospective basis.

Gain or loss due to the sale or removal from use of an asset is determined by the difference between the proceeds from the sale and the net book value of the asset and is recorded in the statement of operations.

J. Intangible assets other than goodwill

(1) General
Intangible assets are identifiable non monetary assets with no physical substance.

The length of the useful life which is utilized in amortization of intangible assets with a defined length of useful life is as follows:

Software and licenses-3-10 years (mostly 5 years)

(2) Intangible assets are recognized and measured according to the manner of their creation as follows

a. Intangible assets which were acquired separately

Intangible assets acquired separately are 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.

b. Intangible assets from in- house development-costs of self-development of computer software for internal use

Costs at the preliminary stage with respect to internal development of computer software are charged to the statement of 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Intangible assets other than goodwill (Cont.)

b. Intangible assets from in- house development-costs of self-development of computer software for internal use (Cont.)

- 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 the statement of 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 and are presented at cost less accumulated amortization and less losses from impairment of value, should there be any. 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.

K. Leases

Leases of land are classified as operating leases. Deferred leasing fees paid at the date of the beginning of the lease are presented with the item prepaid expenses for operating lease with non current assets and are amortized on a straight line basis over the lease period, including the option period. The land is leased for periods (including option) of 140 to 999 years (primarily 140 years).

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 amount of an individual asset cannot be estimated, the Group assesses the recoverable amount of the cash-generating unit to which the asset belongs.

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.

The 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 immediately as an expense in the statement of operations.

Where an impairment loss recognized in prior periods is cancelled, the book value 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 immediately to operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets and financial liabilities

(1) Financial assets and financial liabilities (other than clearing operations)

(a) Financial assets-general

Financial assets are recognized in the balance sheet of the Group when the Group becomes a party to the contractual terms of the instrument.

The investments in financial assets are initially recognized at cost, which includes transaction costs, except for those financial assets that are classified in the category of fair value through operations, as to which acquisition costs are charged to the statement of operations.

Financial assets of the Group are classified to the categories itemized below. The classification to these categories is dependent on the nature and purpose of owning the financial asset being held and it is determined on the date of initial recognition of the financial asset:

- Financial assets at fair value through operations;
- Loans and receivables.

(b) Financial assets at fair value through operations

Financial assets are classified as “financial assets at fair value through operations” when those assets are held for trading purposes. This category includes securities acquired for trading purposes.

A financial asset at fair value through operations is presented at fair value. All gain or loss that is derived from changes in fair value, including those resulting from changes in currency rates, are recognized in the statement of operations during the period in which the change occurs. The net gain or loss recognized in operations comprises all dividends and interest engendered with respect to the financial asset. Fair value of financial instruments is based upon quoted market prices established in the framework of trading on the stock exchange as of the balance sheet date.

(c) Loans and receivables

Trade accounts receivables, deposits, loans to employees and other receivables, with payments which are fixed or determinable and have no quote on an active market, are classified as loans and receivables. Loans and receivables are measured at amortized cost by using the effective interest method, less impairment of value if any exists. Interest income is recognized by the effective interest method, except with respect to short-term receivables where the amounts of interest to be recognized are not material.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets and financial liabilities (Cont.)

(1) Financial assets and financial liabilities (other than clearing operations) (Cont.)

(d) Impairment in value of financial assets

Loans and receivables are evaluated as of each balance sheet date for purposes of identifying the existence of indications of impairment in value. Such impairment in value occurs when there is objective evidence that, as the result of one or more events which took place subsequent to the initial recognition of the financial assets, the anticipated future cash flows of the investment were negatively impacted.

Impairment in value is recognized to the extent of the difference between the book value of the financial asset and the present value of its anticipated future cash flows, discounted by its original effective interest rate.

The book value of a financial instrument is reduced directly by a loss from impairment of value with respect to all financial assets, except trade receivables, the book value of which is reduced by use of a provision account. When customer receivables are not collectible, a write off is made against the provision account. Collection in subsequent periods of amounts written off in the past are credited against the provision account. Changes in the book value of the provision account are recognized in the statement of operations.

(e) CPI linked financial assets and financial liabilities

The Group has CPI linked liabilities that are not measured according to fair value though operations. The Company determines the effective interest rate for these liabilities as the real rate plus linkage increments according to actual changes in the CPI through the balance sheet date.

(f) Other financial liabilities

Trade accounts payable and other payables are classified as other financial liabilities. Other financial liabilities are initially recognized at fair value after deducting transaction costs. Subsequent to initial recognition, other financial liabilities are not measured according to the effective interest rate method, since the interest amounts to be recognized are not material.

(2) Financial assets and financial liabilities from clearing operations

(a) General

The TASE Clearing House, which is a wholly owned subsidiary of the TASE, is a Central Counter Party (hereafter-“CCP”) for transactions in securities (other than derivatives) which are executed on the TASE and also for transfers to a trustee (custodial activities) for collateralization of transactions executed on the TASE as well as transactions in government bonds, executed in a European trading system in which government bonds are traded (hereafter- “MTS system”), and cleared in the clearing house.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. Financial assets and financial liabilities (Cont.)

(2) Financial assets and financial liabilities from clearing operations (Cont.)

(a) General (Cont.)

The MAOF Clearing House Ltd., which is a wholly owned subsidiary of the TASE, issues derivatives traded on the TASE and clears them. The MAOF Clearing House is a CCP for transactions in derivatives traded on the TASE.

As a CCP, the clearing houses are responsible for compliance of the obligations of a clearing house member which is party to a transaction on the TASE and did not execute its part of the transaction towards another clearing house member, the counter party to the transaction, which did execute its part of the transaction.

Therefore the clearing houses record assets and liabilities in their financial statements with respect to the selling party and the buying party, respectively, for each of the aforementioned transactions. The clearing houses do not bear any price risk (other than in cases of collapse of a member) since the value of the assets of the selling party are identical to the value of the liability of the purchasing party in each transaction.

Assets and liabilities from clearing house operations (except for assets and liabilities with respect to securities which have not been transferred to the TASE Clearing House on a timely basis, as specified in Note 6) are recognized or deducted on the date that the transaction is cleared (settlement date) since they are transactions carried out in the regular way pursuant to IAS 39.

In accordance with the above, financial assets and liabilities with respect to clearing operations of the Group include receivables and payables for open positions in derivatives and assets and liabilities for securities not transferred to the TASE Clearing House on a timely basis.
These transactions are initially recorded at fair value and subsequently are re measured at market value of each security as of the end of the period. Since the asset and liability positions match, the same amount is recorded both for assets as well as for liabilities and no gains or losses from adjustments of fair value are recognized in the statement of operations.

(b) Fair value of financial instruments
The fair value of the financial instruments is based upon the quoted market price determined in the framework of the trading on the stock exchange as of the balance sheet date.

(c) 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Taxes on income

(1) General

Income tax expense represents the sum of the current taxes and also the total change in balances of deferred taxes.

(2) Current taxes

Current tax expenses are computed based on the taxable income of the Company and subsidiaries during the reporting period. Taxable income differs from income before taxes on income, due to inclusion or exclusion of items of income and expenses that are taxable or deductible in other reporting periods, and or are not taxable or deductible. Assets and liabilities of the Company for current taxes are calculated using tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

(3) Deferred taxes

Group companies create deferred taxes, as itemized below, for temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Balances of deferred taxes (asset or liability) are computed according to tax rates anticipated when they are realized, based upon tax rates and tax laws enacted or substantially enacted by the balance sheet date. Deferred tax liabilities are usually recognized for taxable temporary differences between the value for tax purposes of assets and liabilities and their value in the financial statements. Deferred tax assets are recognized for all temporary differences that may be deducted up to the amount of anticipated taxable income, against which the deductible temporary difference may be utilized.

The taxes that would apply in the event that the investments in investees were realized were not taken into account in the calculation of the deferred taxes, since the Group intends to hold and develop these investments. In addition, the deferred taxes on distribution of earnings by investees as dividends were not taken into account, since the dividends are not taxable.

Assets and liabilities for deferred taxes are presented on an offset basis, when an entity has a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes on income levied by the same tax authority and the Group intends to settle its current tax assets and the liabilities on a net basis.

O. 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 from revenues from rendering services in the ordinary course of business.

(1) Revenues from rendering services

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.

(2) Interest income

Interest income accrues on a basis of time, in consideration of the principal to be paid and by use of the effective interest method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Revenue recognition (Cont.)

(3) Dividend income

Income from dividends from investments in marketable securities held for trading are recognized on the date that the right to receive the dividends was created.

P. Benefits to employees

(1) Benefits after termination of employment

Benefits granted by the Group after termination of employment include primarily liability for severance pay and liability for pension to a manger who has resigned. Benefits from the Company after termination of employment are, in part, defined contribution plans and, in part, defined benefits plans. Expenses for defined contribution plans are charged to operations, or capitalized to the cost of intangible assets (in the context of self development costs of computer software), at the time that the labor services, as to which the Group is obligated to make the deposit, are supplied.

Expenses for defined benefit plans are charged to operations, or capitalized to the cost of intangible assets (in the context of self development costs of computer software), pursuant to the projected unit credit method, by the use of actuarial estimations made as of each balance sheet date. The present value of the Group's obligation with respect to the defined benefit plan is determined by means of discounting the forecasted future cash flows for the plan by the market yield of government bonds denominated in the currency in which the benefits of the plan are to be paid and with redemption periods that are nearly identical to the forecasted settlement dates of the plan.

Actuarial gains and losses exceeding 10% of the higher of the present value of the obligation with respect to the defined benefit plan and the fair value of the plan assets as of the beginning of the period are amortized over the balance of an average anticipated employment period of the employees participating in the plan.

The liability of the Company for a defined benefit plan, recognized in the balance sheet of the Group, includes the present value of the defined benefit obligation plus (less) unrecognized actuarial gains (losses), less the fair value of the plan assets. A net asset, created by the said calculation, is limited to the amount of the actuarial losses plus the present value of economic benefits available in the form of refunds from the plan or in the form of a reduction in future deposits to the plan ("cap amount").

(2) Other long term benefits to employees

Other long term benefits to employees are benefits anticipated to be utilized or to be paid after a period exceeding 12 months from the end of the period when the service entitling to the benefit was rendered.
Other employee benefits of the Group include liabilities for vacation and seniority grants. These benefits are recorded to the statement of operations by applying actuarial estimates calculated on every balance sheet date, in accordance with the projected unit credit method. The present value of the Group's obligation for seniority grants is determined by capitalizing anticipated future cash flows for the plan at market yields of government bonds denominated in the currency in which the seniority grant benefits are to be paid and with redemption periods that are nearly identical to the forecasted settlement dates of the plan.

(3) Short term employee benefits

Short term benefits to employees are benefits expected to be utilized or paid within a period that does not exceed 12 months from the end of the period when service entitling to the benefit was rendered.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

P. Benefits to employees (Cont.)

(3) Short term employee benefits (Cont.)

Short term benefits to employees include the Company's liabilities for short term vacation, recreation pay, bonus and wage payments (including social benefits). These benefits are recorded to the statement of operations or capitalized to the cost of intangible assets (in the context of self development costs of computer software), when incurred. The benefits are measured on a non-capitalized basis. The difference between the amount of short term benefits to which the employee is entitled and the amount paid is recognized as an asset or a liability.

(4) Benefits for dismissal

Benefits for dismissal are benefits due to be paid as a result of the Group's decision to dismiss employees prior to the usual retirement age or as a result of the employee's decision to agree to voluntary retirement in return for these benefits.
The liability of the Company for these benefits is charged to operations, with relation to identified and known employees, under a formal severance plan, including the benefits to which the dismissed employees are entitled and the dismissal date. The benefits are measured on a non-capitalized basis.

Q. Exchange rates and linkage bases

(1) Balances in foreign currency or linked thereto are included in the financial statements at 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 latest known CPI as of the date of the balance sheet.

(3) CPI and exchange rate data are as follows:

	Exchange rate (NIS/$)	Known CPI
Date of financial statements as of:		
December 31, 2008	3.802	106.50
December 31, 2007	3.846	101.90
	%	%
Rates of change for the year ended:		
December 31, 2008	(1.14)	4.51
December 31, 2007	(8.97)	2.79
December 31, 2006	(8.21)	(0.29)

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

R. New financial reporting standards and clarifications that were published

(1) Standards, amendments to standards and clarifications published and not yet effective which were adopted early by the Group

- **Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements"**
  The amendment defines, inter alia, the manner of measuring investments in subsidiaries, jointly controlled companies and investee companies at the first-time adoption of the IFRS and the manner of recognition of income from dividends received from these companies. The stipulations of the amendment apply to the separate financial statements of the entity.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

R. New financial reporting standards and clarifications that were published (Cont.)

(1) Standards, amendments to standards and clarifications published and not yet effective which were adopted early by the Group (Cont.)

The amendment applies to annual periods starting on January 1, 2009. The amendment allows early adoption.
The standard will be implemented in early adoption.

(2) Standards, amendments to standards and clarifications published and not yet effective which were not adopted early by the Group

IAS 1 (amended) "Financial Statements Presentation"

The standard defines the presentation required in the financial statements and details the general framework of the structure and minimal contents of financial statements, required to be included in the report. The amendment to this standard introduces changes in the current presentation pattern of financial statements and expands the presentation and disclosure requirements in the financial statements, including presentation of an additional report within the framework of the financial statements, called "Statement of Comprehensive Income" and the addition of a balance sheet as of the beginning of the earliest period presented in the financial statements, in the event of retrospectively implemented changes in accounting policy and in cases of restatement and cases of reclassification.
The standard will apply to reporting periods starting on January 1, 2009. The standard allows early application. Implementation of the standard is not expected to have a material effect on the consolidated financial statements.

(3) Standards, amendments to standards and clarifications published which are not applicable to the Group

In addition to the above amendments and standards, additional clarifications and amendments to standards were published which, in the estimation of the management of the Company, are not applicable to the Group.

NOTE 3 - CRITICAL ACCOUNTING CONSIDERATIONS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES

A. Critical accounting considerations

In implementing policies of the Group, management of the Company is required in certain cases to exercise comprehensive accounting discretion (as distinguished from discretion which relates to setting estimates and assumptions as described in paragraph B). This discretion relates principally to an accounting principle which does not provide a complete or absolute solution to specific circumstances. A critical accounting consideration is one with consequences which might substantially influence the financial condition and operating results of the Company as they are reflected in the consolidated financial statements, and, which under other basic assumptions, could have led to a materially different accounting outcome from that which it presents. By nature, such accounting consideration is, in part, subjective. Nonetheless, in initiating critical accounting considerations, Company management uses its understanding of the accounting policies applicable to its operations as a basis; and, in addition, to the extent relevant, the Company customarily consults external experts in the field.

NOTE 3 - CRITICAL ACCOUNTING CONSIDERATIONS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES (CONT.)

A. Critical accounting considerations (Cont.)

The following relates to critical accounting considerations, except for those which are connected with estimates (see below) made by management in the process of implementation of the accounting policies of the Group, and which have a significant effect on the amounts recognized in the financial statements:

Investment in affiliate

The Company's holdings in "Stock Exchange Offices Ltd." (hereafter-"SOL") provide it with 55.88% of the right to appoint directors and approximately 10.29% of the right to receive earnings and to participation in the assets of SOL in the case of liquidation.
Control exists when an entity has the power to determine the operational and financial policies of another entity in order to obtain benefits from its operations.

For purposes of determining whether the Company controls SOL as a result of which the Company would consolidate the financial statements of SOL in its financial statements, the management of the Company examines the circumstances which might indicate relationships where control does exist in accordance with the above definition and, among others, in accordance with Interpretation Number 12 of Standard Interpretations Committee (SIC 12).
The conclusion of such examination was that control does not exist and, therefore, the investment in SOL is presented in the financial statements on the basis of the equity method.

B. Estimates and main uncertainties

At the time of preparing the financial statements, the management of the Company is required to use estimates or approximations with respect to transactions or matters as to which the ultimate effect on the financial statements cannot be established accurately at the time that they are being prepared. The main basis for determining the quantitative value of such estimates is the assumptions which the management of the Company decides to adopt, considering the circumstances related to the estimate as well as the best information in its possession at the time it is made. From the nature of things, since these estimates and approximations are the result of using judgment in an environment of uncertainty, under circumstances of especially great consequence, changes in the basic assumptions derived from changes which are not necessarily dependent on Company management, as well as additional information in the future not in the Company's possession on the date that the estimate was made, might lead to changes in the quantitative value of the estimate, and accordingly, also affect the Company's financial condition and results of operations.

Therefore, even though estimates or approximations are made using the best judgment of management, based upon past experience, in consideration of the unique factors in the circumstances of each case, and to the extent relevant, also in reliance on external experts, the ultimate quantitative effect of transactions or matters requiring estimation, might become obvious only once these transactions or matters arrive at their conclusion. As a result, the actual results, once the results of an event which necessitates the determination of estimates and approximations have finally become clear, may be different, at times even materially, from these estimates and approximations that are determined at inception and updated over time.

The basic estimates and assumptions are evaluated on a regular basis and brought up to date as the result of data which is brought to the knowledge of management or an event which occurs subsequent to the latest time that the estimate is made, and which it was not aware of during the previous period when the estimate was determined or most recently evaluated. Changes in accounting estimates are recorded in the period in which the change in estimate is made or also in future periods after the period in which the change is made, if the ramifications of the change may affect both the current period and future periods.

The following are areas where the determination of value for the financial statements requires making estimates and approximations, which, in the assessment of the Group's management, are anticipated to have a material effect.

NOTE 3 - CRITICAL ACCOUNTING CONSIDERATIONS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES (CONT.)

B. Estimates and main uncertainties (Cont.)

Employee benefits

The current value of the liability of the Group for severance pay payments to its employees is based on numerous data items, determined on the basis of an actuarial estimate, that applies numerous assumptions, including the capitalization rate. Changes in the actuarial estimates may affect the carrying amount of the liability of the Group to pay severance pay and pensions. The Group estimates the capitalization rate once every year, based on the yield rates of government bonds. Other key assumptions are determined on the basis of market conditions and accumulated experience of the Group. Regarding the assumptions used by the Group, see Note 13.

NOTE 4 - CASH AND CASH EQUIVALENTS

Composition:

	Interest rate as of December 31, 2008	December 31, 2008	December 31, 2007
		NIS in thousands	
Cash in banks		3,380	2,447
Short term deposits	0.41%-3.20%	64,488	32,930
		67,868	35,377

NOTE 5 - 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.
The amount of these assets and liabilities is calculated after offsetting the monetary value of the amount of debts of a member of the MAOF Clearing House from the MAOF Clearing House against the monetary value of the amount of the liabilities of the Clearing House to the same member, derived from the open positions of the member as of the same expiration date.
The amount of assets and the amount of charges as above do not include such offset deriving from the open positions of the member with 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 38million (as of December 31, 2007- NIS 66 million).

NOTE 5 - RECEIVABLES AND PAYABLES WITH RESPECT TO OPEN DERIVATIVE POSITIONS (Cont.)

C. The last expiration date of the derivatives issued by the MAOF Clearing House through the balance sheet date is December 2009.

D. See Note 18 with regard to the Risk Fund of the MAOF Clearing House and the related collateral as well as with respect to transactions in derivatives executed by members of the MAOF Clearing House or under their responsibility.

NOTE 6 - ASSETS AND LIABILITIES WITH RESPECT TO SECURITIES THAT WERE NOT TRANSFERRED TO THE TASE 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 TASE Clearing House on a timely basis ("Clearing House short") and the relevant collateral:

A. The amounts in this section express the amount of the monetary value of the securities (other then government bonds and loans) that were sold on the TASE, or where an instruction was given to transfer them to a trustee for safekeeping, and their clearance is under the responsibility of the TASE Clearing House (being a Central Counter Party) and are not found in the clearing accounts of a selling or transferring member of the Clearing House, as the case may be, on the date stipulated in the by-laws as the date of their transfer to the member who purchased them, or to the member who maintains the safekeeping trust account, as the case may be.

Cash with a monetary value of NIS 57 million was deposited into the bank accounts of the Clearing House until receipt of the securities to the accounts of the Clearing House members, in order to secure the aforementioned obligations of the members of the Clearing House.

B. See Note 18 with regard to the Risk Fund of the TASE Clearing House and the related collateral.

NOTE 7 - RECEIVABLES AND OTHER CURRENT ASSETS

Composition:

	December 31,	
	2008	**2007**
	NIS in thousands	
Receivables		
Government institutions	24	158
Advances and loans to employees (1)	2,104	2,747
	2,128	2,905
Other current assets		
Prepaid expenses	608	452
Other	349	123
	957	575
	3,085	3,480

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

NOTE 8 - INVESTMENT IN INVESTEES

A. Investees

The MAOF Clearing House Ltd and the TASE Clearing House Ltd. are wholly owned and controlled by the Company.

The principal business of the MAOF Clearing House is the issuance of options and futures contracts ("derivatives") traded on the TASE and the rendering of clearance services for these derivatives.

The principal business of the TASE Clearing House is the clearance of securities, excluding derivatives, and the rendering of the services of a central depository for securities.

B. Affiliate

(1) 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 of SOL assets upon liquidation.

(2) Composition

	December 31,	
	2008	2007
	NIS in thousands	
Cost of shares	7,285	7,285
Share of earnings accumulated since acquisition, net	3,605	3,409
Dividends received	(6,674)	(6,283)
Total	4,216	4,411

(3) Dividends declared subsequent to balance-sheet date

Subsequent to the balance sheet date, SOL declared dividends of NIS 1,900 thousand. The Company's share of the dividends is approximately NIS 196 thousand.

(4) Condensed data from financial statements of affiliate

	December 31,	
	2008	2007
	NIS in thousands	
Current assets	11,633	12,898
Investment property	36,000	37,500
Current liabilities	(114)	(514)
Non current liabilities	(6,554)	(7,026)
Assets less liabilities, net	40,965	42,858
Share of Group in shareholders' equity of affiliate-per share in earnings	4,216	4,411

NOTE 8 - INVESTMENT IN INVESTEES (Cont.)

B. Affiliate (Cont.)

(4) Condensed data from financial statements of affiliate (Cont.)

	Year ended December 31, 2008	Year ended December 31, 2007
	NIS in thousands	
Revenues	2,996	4,375
Net income	1,907	3,865
Share of Group in earnings of affiliate	196	398

NOTE 9 - 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 TASE, on a plot totaling approximately 1.5 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. The transition to the new building is anticipated for the half of 2011.

B. Composition

	December 31, 2008	December 31, 2007
	NIS in thousands	
Owned land	19,707	19,707
Land under capitalized lease (lease rights for various periods ending during the years 2148- 3003)	37,483	37,483
	(*) 57,190	(*) 57,190

(*) 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

	December 31, 2008	December 31, 2007
	NIS in thousands	
With fixed assets	26,009	26,009
With prepaid expenses for operating lease	31,181	31,181
	57,190	57,190

NOTE 10 - FIXED ASSETS

Composition and movement

	Land & buildings under construction (1)(2)	Computers systems & auxiliary equipment	Equipment & systems	Motor vehicles	Leasehold improvements (mainly visitors center)	Total
	NIS in thousands					
Cost						
Balance - January 1, 2008	27,143	39,344	7,946	261	7,474	82,168
Additions during year	3,848	8,123	1,141	-	255	13,367
Disposals during year	-	(3,937)	(68)	-	-	(4,005)
Balance - December 31, 2008	30,991	43,530	9,019	261	7,729	91,530
Balance - January 1, 2007	-	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	27,143	39,344	7,946	261	7,474	82,168
Accumulated depreciation						
Balance - January 1, 2008	-	18,773	5,453	101	5,078	29,405
Depreciation for year	-	6,603	876	39	765	8,283
Disposals during year	-	(3,880)	(66)	-	-	(3,946)
Balance - December 31, 2008	-	21,496	6,263	140	5,843	33,742
Balance - January 1, 2007	-	28,688	5,519	275	4,435	38,917
Depreciation for year	-	6,809	452	57	660	7,978
Disposals during year	-	(16,724)	(518)	(231)	(17)	(17,490)
Balance - December 31, 2007	-	18,773	5,453	101	5,078	29,405
Net book value						
December 31, 2008	30,991	22,034	2,756	121	1,886	57,788
December 31, 2007	27,143	20,571	2,493	160	2,396	52,763

(1) See Note 9 for information on rights to land. The balance includes construction costs of NIS 4,982 thousand.

(2) Commitments for the construction of the building:

In March 2009, the Company entered into a contract with a contractor for the performance of demolition, excavation, reinforcement and foundation for the TASE building in the amount of approximately NIS 20 million.

NOTE 11 - INTANGIBLE ASSETS

Following is the composition and changes in this section:

	Software and licenses	Goodwill	Total
	NIS in thousands		
Cost			
Balance as of January 1, 2008	60,161	492	60,653
Acquisitions	7,892	-	7,892
Capitalization of expenses of software development activities	9,030	-	9,030
Balance as of December 31, 2008	77,083	492	77,575
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
Accumulated amortization			
Balance as of January 1, 2008	40,222	-	40,222
Amortization	3,486	-	3,486
Balance as of December 31, 2008	43,708	-	43,708
Balance as of January 1, 2007	37,864	-	37,864
Amortization	3,177	-	3,177
Deductions	(819)	-	(819)
Balance as of December 31, 2007	40,222	-	40,222
Unamortized cost			
Balance as of December 31, 2008	33,375	492	33,867
Balance as of December 31, 2007	19,939	492	20,431

NOTE 12 - PAYABLES AND OTHER CURRENT LIABILITIES

	December 31, 2008	December 31, 2007
	NIS in thousands	
Institutions	3,104	2,965
Accrued expenses with regard to premium to MAOF Clearing House Risk Fund	1,772	2,736
Other payables and accrued expenses	843	1,033
Clearing House members- payables for interest	179	728
Deferred income	357	26
	6,255	7,488

NOTE 13 - EMPLOYEE BENEFITS

A. Composition

Benefits after termination of employment in the framework of defined benefit plans:

	December 31, 2008	December 31, 2007
	NIS in thousands	
Severance pay obligations (assets)	(1,087)	3,806
Pension liabilities	1,907	1,929
	820	5,735

Other long term employee benefits:

	December 31, 2008	December 31, 2007
	NIS in thousands	
Benefits for unused vacation pay	5,042	4,573
Benefits for seniority grant	983	1,014
	6,025	5,587

Short term employee benefits:

	December 31, 2008	December 31, 2007
	NIS in thousands	
Wages, salaries and social benefits (including bonuses)	16,739	17,990
Benefits for unused vacation pay	4,481	3,727
	21,220	21,717

Balance sheet presentation:
Assets with respect to employee benefits:

	December 31, 2008	December 31, 2007
	NIS in thousands	
Non current	1,087	-

Liabilities with respect to employee benefits:

	December 31, 2008	December 31, 2007
	NIS in thousands	
Current	26,262	26,290
Non current	2,890	6,749
	29,152	33,039

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment

(1) Defined benefit plan

(a) General

Severance pay liability

Labor legislation and the Severance Pay Law in Israel require the Company to pay severance pay to an employee at the time of dismissal or retirement (including employees who leave the place of employment under other specified circumstances). The calculation of the obligation related to the termination of employee-employer relations is carried out pursuant to the employment agreement in effect and is based upon the latest salary of the employee which, in the opinion of management, creates the right to receive severance pay and also in consideration of his number of years of employment.
Such obligation is computed through use of an actuarial estimate. The actuarial estimate is made by a qualified actuary. The present value of the obligation for the defined benefit and the costs related to current service are measured through use of the forecasted eligibility unit method

See paragraphs (j) and (k) below with regard to grants to the CEO and Chairman of the Board upon termination of their employment.

Liability for annuity

The liability for annuity 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 annuity to which the manager was entitled, for the remainder of her life. The annuity liability has been included based on an actuarial computation, capitalized at a real interest rate of 2% that conforms to the real market yield of government bonds for the period calculated (as of December 31, 2007-a rate of 3.74%).
The assumptions regarding the future mortality rate is based upon mortality tables published by the Ministry of Finance updated to the year of 2008.

(b) Major actuarial assumptions with respect to severance pay as of the balance sheet date

	December 31	
	2008	2007
	%	%
Capitalization rates	5.52	6.53
Forecasted yield rates on plan assets	5.52	6.53
Forecasted rates of salary increases (real)	3.50	3.50
Forecasted inflation rates	2.18	2.75
Rates of turnover and departure:		
Employees	2(*)	2(*)
Executives	-	-
Rate of severance pay upon retirement-100%		

(*) During the first ten years of employment, the turnover rate is 3.5%.

Until termination of the evaluation as to the existence of an intensive market of corporate debentures of high quality, the Group uses a capitalization rate which conforms to the market yields of government bonds.

Should such evaluation determine that Israel has an intensive market for high quality, corporate debentures, the Group will be required to restate the amounts of the obligations after use of a capitalization rate which conforms to market yields of AA rated corporate debentures.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment (Cont.)

(1) Defined benefit plan (Cont.)

(b) Major actuarial assumptions with respect to severance pay as of the balance sheet date (Cont.)

In the case that use of a capitalization rate for corporate debentures will be determined, it is anticipated that it will have a material effect on the financial statements of the Group to the extent that a decline will result in the amount of the defined benefit plan to the extent of approximately NIS 26 million.

The forecasted yield rate on plan assets is based on the yield of government bonds for the range of the liability.

(c) Amounts recognized in the statement of operations with respect to the defined benefit plan

	Year ended December 31	
	2008	2007
	NIS in thousands	
Current service cost	3,428	2,783
Interest cost	3,471	2,967
Forecasted yield on plan assets	(2,265)	(1,636)
Actuarial losses due to annuity	212	163
	4,846	4,277

The expense is included in its entirety in “employee benefits expenses” in the context of “cost of revenues”.

(d) Movement in the present value of the obligation with respect to the defined benefit plan

	Year ended December 31	
	2008	2007
	NIS in thousands	
Opening balance	54,715	48,883
Current service cost	3,428	2,783
Interest cost	3,471	2,967
Deferred actuarial losses	3,067	224
Benefits paid for severance pay	(1,850)	-
Benefits paid for annuity	(317)	(305)
Actuarial losses recognized due to annuity	212	163
Closing balance	62,726	54,715

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment (Cont.)

(1) Defined benefit plan (Cont.)

(e) Movement in fair value of plan assets

	December 31	
	2008	2007
	NIS in thousands	
Opening balance	49,320	44,129
Forecasted yield on plan assets	2,265	1,636
Actuarial gains (losses)	(5,624)	564
Deposits by employer	9,317	2,991
Benefits paid	(1,723)	-
Closing balance	53,555	49,320

(f) Reconciliation of present value of obligation with respect to defined benefit plan and the fair value of the plan assets to assets and liabilities recognized in the balance sheet

	Year ended December 31	
	2008	2007
	NIS in thousands	
Present value of financed obligations	60,819	52,786
Fair value of plan assets	(53,555)	(49,320)
	7,264	3,466
Present value of unfinanced obligations	1,907	1,929
	9,171	5,395
Unrecognized net actuarial gains (losses)	(8,351)	340
Net liability derived from obligation for defined benefit	820	5,735

(g) Actual yield on plan assets

	Year ended December 31	
	2008	2007
	NIS in thousands	
Forecasted yield on plan assets	2,265	1,636
Actuarial gains (losses)	(5,624)	564
Actual yield on plan assets	(3,359)	2,200

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment (Cont.)

(h) Comparison to previous years

	Year ended December 31	
	2008	2007
	NIS in thousands	
Present value of obligation with respect to defined benefit plan	62,726	54,715
Fair value of plan assets	(53,555)	(49,320)
Plan deficit	9,171	5,395
Adjustments to plan liabilities based on past experience	424	862
Adjustments to plan assets based on past experience	(5,585)	583

(i) Cumulative balance of actuarial gains (losses)

	Year ended December 31	
	2008	2007
	NIS in thousands	
Unrecognized actuarial gains (losses) as of January 1	340	-
Actuarial gains (losses) created during current period with respect to plan obligation and assets	(8,903)	177
Portion of actuarial gains (losses) recorded to operations (*)	212	163
Unrecognized actuarial gains (losses) as of December 31	(8,351)	340

(*) Charged to operations during current year

(j) During the month of March 2006, the Board of Directors of the TASE 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. The liability for severance pay in the financial statements therefore also includes the obligation for the relative period of eligibility accrued from June 2006 through the balance sheet date, for the aforementioned severance grants. Under certain circumstances of termination of employment, the CEO is entitled to the above severance grants even prior to termination of the period of employment.

(k) During the month of March 2006, the Board of Directors of the TASE 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 TASE (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). The liability for severance pay in the financial statements therefore also includes the obligation for the entire additional severance grant as above. Under certain circumstances of termination of employment before the end of the employment period or at its end, the Chairman of the Board of Directors is entitled to special severance vacation of three months.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

B. Benefits after termination of employment (Cont.)

(2) Defined contribution plans

Severance pay plans

Part of the Company's employees are members in a pension fund. According to the collective agreement between the Company and the employee representatives, the Company operates according to a general authorization on the matter of employer payments to a pension fund and to an insurance fund in place of severance pay dated 9.6.1998, including updates, pursuant to the Severance Pay Law-1963. Accordingly, the Company's payments on account of severance pay are in place of full severance pay to an employee and on the date of termination of employment of the employee, no further accounting is made between the Company and the employee with respect to severance pay, and the Company is exempt from the payment of severance pay to an employee or his survivors according to Section 14 of the Severance Pay Law-1963 and the aforementioned general authorization. The total amount of expenses recognized in the statement of operations for the year ended December 31, 2008 with respect to defined contribution plans was NIS 411 thousand (2007- NIS 281 thousand).

C. Other long term benefits

(1) General

Seniority grant

Company employees, by custom, receive seniority grants in the amount of up to NIS 6 thousand when they reach seniority of 15 years and for every five years subsequent thereto.

Vacation

The balance includes amounts which are expected to be utilized by the employees in a period that exceeds 12 months from the end of the period in which the service was provided by the employees.

(2) Principal actuarial assumptions as of balance sheet date

	%
Capitalization rates	2.29-5.73
Turnover and departure rates (for seniority grant)	2 (*)
Contractual rates of salary increase –real (for vacation)	(0.30)-2.30
Rate of inflation (for vacation)	3.5
(*) For the first ten years of employment, the turnover rate is	3.5

D. Benefits with respect to termination

General

Personal employment contracts signed with a group of executives entitle them, under certain conditions of work termination before the end of the period of the employment contract, to a grant equaling three months' pay. See Note 2 P regarding accounting policies.

NOTE 13 - EMPLOYEE BENEFITS (Cont.)

E. Short term employee benefits

(1) Composition

	Year ended December 31 2008	2007
	NIS in thousands	
Wages, salaries and social benefits (including bonuses)	16,739	17,990
Benefits with respect to unutilized vacation (short term)	4,481	3,727
	21,220	21,717

(2) Additional data

Paid vacation days

Pursuant to the Annual Vacation Law-1951, Company employees are entitled to a number of paid vacation days for each year of employment. According to such law and its appendix, as determined in the agreement between the Company and the employees, the number of vacation days per year to which each employee is entitled was set according to the seniority of that employee.

The employee is permitted to accumulate the balance of unutilized vacation days. Vacation days are first utilized from those entitled by the current year and subsequently from any balance transferred from the prior year (on a LIFO basis). An employee who ceased to work before utilizing the balance of vacation days accrued is entitled to payment of the above balance of vacation days.

NOTE 14 - TAXES ON INCOME

A. Deferred tax balances

(1) Composition and movement

	Timing differences: Financial assets at fair value through operations	Provisions (mostly for employee benefits)	Total
	NIS in thousands		
Balance January 1, 2007	(1,932)	(*) 1,312	(620)
Movement during the period -			
Movement during the reporting period in the statement of operations	874	(854)	20
Balance December 31, 2007	(1,058)	(*) 458	(600)
Movement during the period -			
Movement during the reporting period in the statement of operations	1,058	(458)	600
Balance December 31, 2008	-	-	-

(*) he Group recognized a tax asset up to the amount of the earnings which were derived from the reversal of the taxable timing differences.

NOTE 14 - TAXES ON INCOME (Cont.)

A. Deferred tax balances (Cont.)

(2) The deferred taxes have been presented in the balance sheet in the framework of non current liabilities- liabilities for deferred taxes.

B. Amounts for which deferred taxes were not recognized

	December 31	
	2008	**2007**
	NIS in thousands	
Capital losses for tax purposes	469	-
Temporary differences (mostly with respect to employee benefits)	5,404	3,746
Total	5,873	3,746

Expiration dates

In accordance with the tax laws, there is no expiration date for the utilization of tax losses and of deductible temporary differences.

C. Timing differences with respect to investments in investees as to which no deferred tax liability was recognized

	December 31	
	2008	**2007**
	NIS in thousands	
Subsidiaries	84,357	76,094
Affiliate	210	405
	84,567	76,499

The Group did not recognize deferred tax liabilities with respect to taxes which would have applied in the case of realization of the investments in subsidiaries and the affiliate since the Company's intention is to hold these investments and develop them and also, dividends from the subsidiaries and the affiliate are not subject to tax.

D. Income tax expenses recognized in the statement of operations

	December 31	
	2008	**2007**
	NIS in thousands	
Current taxes		
Current taxes	20,325	30,118
Prior years' tax expenses (income)	(395)	408
	19,930	30,526
Deferred taxes		
Deferred tax expenses (income) derived from creation and reversal of temporary differences	(600)	(20)
Total tax expenses	19,330	30,506

NOTE 14 - TAXES ON INCOME (Cont.)

E. 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:

	Year ended December 31	
	2008	2007
	NIS in thousands	
Pre-tax income	73,807	104,663
Statutory tax rate	27%	29%
Tax expenses at statutory tax rate	19,928	30,352
Increase (saving) in tax in respect of:		
Income taxable at special rates (including capital gain or loss)	(259)	(525)
Tax losses and benefits for which no deferred tax assets were recorded	(306)	(244)
Non deductible expenses	362	515
Prior years' taxes	(395)	408
Income taxes	19,330	30,506

F. Additional data

Tax assessments

The Company and its subsidiaries- MAOF Clearing House Ltd. and TASE Clearing House Ltd. have received tax assessments that are considered final up to and including, the 2004 tax year.

1. According to Amendment Number 147 of the Income Tax Ordinance- 2005, the 34% corporate tax rate would be gradually reduced commencing with 2006 (for which a rate of 31% was set) up to a tax rate of 25% in 2010 (tax rate of 29%, 27% and 26% for the 2007, 2008 and 2009 tax-years, respectively).

2. 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.

3. 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 15 - CONTINGENT LIABILITIES AND GUARANTEES

A. Indemnification of officers

The TASE is obliged to indemnify the officers of the TASE as well as the officers of the TASE Clearing House while the MAOF Clearing House is obliged to indemnify the officers of the MAOF Clearing House.

The total indemnification amount for all the officers of the TASE, cumulatively, based on all of the indemnification certificates issued as per the above indemnification obligation, in respect of one or more of the incidents detailed in the indemnification certificate, shall not exceed an amount in NIS equivalent to $20 million.

The total indemnification amount for all the TASE Clearing House officers, cumulatively, based on all of the indemnification certificates issued as per the above indemnification obligation, in respect of one or more of the incidents detailed in the indemnification certificate, shall not exceed NIS 50 million.

The total indemnification amount for all the MAOF Clearing House officers, cumulatively, based on all of the indemnification certificates issued as per the above indemnification obligation, in respect of one or more of the incidents detailed in the indemnification certificate, shall not exceed NIS 75 million.

The obligations for indemnification as mentioned will apply for any indemnifiable liability or expense in accordance with law.
The indemnification is subject to the provisions of Chapter III, Section 6 of the Companies Law

B. Exemption granted to officers

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

The General Meeting of the TASE 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 TASE 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 TASE in August 2000 for NIS 17 million (as of the claim's filing date) by a company that had requested to be registered for trading, together with 13 of its shareholders, alleging damages caused by the TASE's refusal, at the beginning of 1994, to enable the registration of the plaintiff company's shares based on its prospectus and the resultant delays.
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 June 2008, the Supreme Court rejected the appeal.

D. The Company became committed in June 2008 to sign a lease agreement with the Tel Aviv Municipality for underground space for a period of 49 years with an extension option for an additional 49 years, and to pay monetary consideration for the underground lease pursuant to an appraiser's estimate. The Company deposited a bank guarantee with the Municipality in the amount of NIS 2.5 million as security for that commitment.

NOTE 16 - ADDITIONAL DETAILS PERTAINING TO COST OF SALES

A. Employee benefits expenses

Composition

	Year ended December 31	
	2008	2007
	NIS in thousands	
Salary (including benefits with respect to payment of bonuses)	88,055	88,927
Other long term employee benefits	510	1,019
Expenses related to defined contribution plan	411	281
Expenses related to defined benefit plan	4,846	4,277
	93,822	94,504
Less amounts capitalized (see Note 11)	(9,030)	(5,617)
	84,792	88,887

B. Depreciation and amortization

Composition

	Year ended December 31	
	2008	2007
	NIS in thousands	
Depreciation of fixed assets (see Note 10)	8,283	7,978
Amortization of intangible assets (see Note 11)	3,486	3,177
	11,769	11,155

NOTE 17 - FINANCING INCOME, NET

Composition:

	Year ended December 31	
	2008	2007
	NIS in thousands	
Financing expenses-		
Bank fees and commissions	(230)	(224)
Net losses from financial assets held for trading	(160)	-
Interest expense on income taxes	(13)	(17)
Other financing expenses	-	(32)
	(403)	(273)
Financing income-		
Net gains from financial assets held for trading	-	13,624
Interest income on short term bank deposits	2,430	1,869
Interest income on income taxes	329	208
Interest income on employees' loans	99	50
	2,858	15,751
	2,455	15,478

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT

A. Principal accounting policies

Principal accounting policies and methods which have been adopted with respect to financial assets and financial liabilities, including criteria for recognition, measurement bases and recording in the statement of operations, are presented in Note 2.

B. Financial instrument balances according to category

	December 31	
	2008	2007
	NIS in thousands	
Financial assets		
Cash and cash equivalents	67,868	35,377
Financial assets at fair value		
Assets derived from clearing operations:		
Receivables for open derivative positions	73,186	96,487
Assets derived from securities not transferred to TASE Clearing House on timely basis	37,285	59,943
Financial assets at fair value through operations-held for trading	166,392	171,550
Loans and receivables (*)	15,464	11,894
	360,195	375,251
Financial liabilities		
Financial liabilities at fair value		
Liabilities derived from clearing operations:		
Payables for open derivative positions	73,186	96,487
Liabilities derived from securities not transferred to TASE Clearing House on timely basis	37,285	59,943
Financial liabilities at amortized cost	19,292	21,094
	129,763	177,524

(*) The book value presented above represents the maximum exposure of the Group for credit risk with respect to such loans and receivables.

C. 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 TASE Clearing House on a timely basis, and assets and liabilities with respect to open derivative positions.
Due to their nature, the balances of the Group's financial instruments in the December 31, 2008 balance sheet are close to their fair value.

D. Purposes and policies of risk management

The Group is exposed to the following financial risks: credit risk, liquidity risk and market risks.

This note provides information with regard to the exposure of the Group to each one of the risks and the manner of managing them.

The risk management policies of the Group have been formulated in order to identify and analyze the risks facing the Group and in order to carry out activities in order to diminish the various risks to which it is exposed in its operations, as well as to oversee the risks and the compliance with the limitations which have been established with relation to these risks.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management

Credit risk is the risk of financial loss to be suffered by the Group should the counter party to the transaction not comply with his obligations.

The major credit risk is derived from those clearance activities which are executed by the clearing houses and in which the clearing houses act vis-à-vis a Central Counter Party (hereafter: "CCP").

The TASE Clearing House, a wholly owned subsidiary of the TASE, is a CCP for securities transactions (other than derivatives) executed on the TASE, as well as transfers to a trustee for safekeeping (custodial transactions), the holder of collateral for transactions executed on the TASE, and also transactions in government bonds executed on an European trading system on which government bonds are traded (hereafter: "MTS system"), cleared by the Clearing House.

The MAOF Clearing House, a wholly owned subsidiary of the TASE, issues derivatives that are traded on the TASE and clears them. The MAOF Clearing House is a CCP for derivative transactions traded on the TASE.

As a CCP, the clearing houses are responsible for compliance of the obligations of a clearing house member which is party to a transaction on the TASE and did not execute its part of the transaction towards another clearing house member, the counter party to the transaction, which did execute its part of the transaction.
The major credit risk that relates to the operations of the clearing house is in a situation of collapse, in which a clearing house member, a party to a transaction, is unable to comply with its obligations for the transaction and the clearing house must fulfill its obligations vis-à-vis the clearing house member which is the other party to the transaction.

The maximum credit exposure of the TASE Clearing House as of 31.12.08 with respect to transactions cleared by it and as to which it is obligated as a CCP, is NIS 7,317 million (NIS 7,243 million as of 31.12.07). The financial statements do not include assets and liabilities for these transactions since they are recorded on the settlement date of the transaction, being transactions carried out in a regular way, as stated in Note 2 M (2) (a).

The following is the breakdown of this exposure between transactions cleared as DVP (see paragraph D (1) 3 below) as of the day following the date of execution of the transaction (hereafter: "clearance on day t + 1") and transactions in which the securities are cleared on the date the transaction is executed and the cash is cleared on the day following the date of execution of the transaction (hereafter: "clearance on day t"):

Type of security	Manner of clearance	2008	2007
		NIS in millions	
Government bonds, short term loans and MTS	Clearance on day t + 1	4,348	3,655
Other securities	Clearance on day t	2,969	3,588
		7,317	7,243

The Group is also exposed to credit risk with respect to the financial assets itemized in paragraph B above.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management (Cont.)

Following is detail of the measures taken in order to contend with credit risks which relate to operations of the clearing houses:

1. Amendment to the Israeli Securities Law on the subject of stability of the clearing houses

In 2004, the Israeli Securities Law was amended and a section was added to the law on the subject of stability of the clearing houses. Pursuant to this section, a lien on securities that was given by a member of the clearing house in favor of the clearing house will have preference over liens in favor of third parties if the clearing house has control over the securities in one of the ways determined by the law. The above section also stated that the realization of a lien of securities in favor of the clearing houses could only be executed by the clearing house itself, if there was no decree by the courts or the head of the judgment execution body, and subject to the conditions stipulated in the law.

2. TASE members

The TASE regulations define and determine the conditions of qualification for membership in the TASE. The TASE regulations stipulate, inter alia, minimal requirements with regard to the shareholders' equity of non bank members.
Among other things, the regulations determine the areas of operations permitted for non bank members and the obligations of the TASE member vis-à-vis the TASE, its members and customers.
The TASE regularly supervises the compliance of TASE members with the requirements specified in the TASE regulations.

It should be stated that the prerequisites for non bank members include the requirement for minimal shareholders' equity, for unrestricted assets, for unrestricted liquid assets and for positive working capital, as well as the limitations on the credit granted by the non bank member to its customers and on the areas of its operations. The regulations also stipulate requirements with regard to control over credit and collateral, risk management and controls, enforcement controls, internal audit and appropriate insurance.
The regulations authorize the TASE to take disciplinary actions against a member which deviates from the directives of the regulations.

3. Real time clearance-RTGS system

In July 2007, the Bank of Israel inaugurated the IBAN system for same day clearance and real time payments (RTGS).

Upon activation of the system, clearance of government bonds and short term loans is executed on a DVP (delivery vs. payment) basis on the day subsequent to the execution of the transaction (t + 1). This process has led to the elimination of exposure of the clearing house to credit risk with regard to bonds and short term loans resulting from the disparity between the date of clearance of the security and the date of clearance of the cash.
For other securities, other than government bonds and short term loans which are designated for clearance on t + 1, during 2009 and 2010-the length of time for which the clearing house is exposed to credit risk will be shortened.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management (Cont.)

4. Risk funds of the clearing houses and current collateral

In order to protect the TASE Clearing House and the MAOF Clearing House from credit risk in the event that the member of the TASE Clearing house or member of the MAOF Clearing house, as the case may be, is unable to meet its obligations, they have established risk funds designated to serve as a source of payment in the event that a clearing house member cannot fulfill his obligations.

(a) TASE Clearing House

1. TASE Clearing House Risk Fund

The TASE 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 its obligations towards the Clearing House as well as to secure its share in the Risk Fund in the event of failure of another member. The amount of the Risk Fund as of December 31, 2008 was NIS 1,221 million.

The amount of the Risk Fund is updated every six months (in the months of March and September) to be the higher of the following amounts:

(1) The average overall daily turnover of the Clearing House- the amount received from the addition of the average daily turnover of all of the members, other than the Bank of Israel and the five banks with the highest shareholders' equity among the banks that are members, which are not foreign banks, as defined in the TASE regulations.
(2) NIS 150 million.

The share of each member of the Risk Fund will be updated every time there is an update and will be the higher of the following two amounts:

(1) The amount of the Risk Fund multiplied by the relationship between the clearance turnover of the member for the half year ended prior to the time of the update and the total clearance turnover of all of the members for that period other than the Bank of Israel.
(2) NIS 5 million.

The collateral actually deposited by part of the members exceeds the collateral required by them as above.
On March 1, 2009, the size of the Risk Fund was set at NIS 1,024 million.

The assets which the members are allowed to transfer to the Risk Fund as collateral are only government bonds and cash. The government bonds provided as collateral are deposited in accounts in the TASE Clearing House, with a separate account being opened for each member in the name of the TASE Clearing House. Cash provided as collateral is deposited in bank accounts with a separate account being opened for each member in the name of the TASE Clearing House

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NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management (Cont.)

4. Risk funds of the clearing houses and current collateral (Cont.)

(a) TASE Clearing House (Cont.)

1. TASE Clearing House Risk Fund (Cont.)

Such collateral that is deposited in these accounts is the property of the members of the TASE Clearing House which deposited them and the income received from the collateral belongs to the members.

Commencing on December 1, 2008, each TASE Clearing House member must deposit at least 25% of its share in the Risk Fund- in cash. Subject to the aforesaid, the composition of the collateral is set by the members.

The TASE Clearing House members have pledged the assets and rights in the above accounts in favor of the TASE Clearing House, as stipulated in the by laws of the TASE Clearing House.
Assets with respect to securities that were not transferred to the TASE Clearing House on a timely basis

2. Assets with respect to securities not transferred to the TASE Clearing House on a timely basis ("Clearing House short")

In order to assure the obligations of the Clearing House members to transfer the securities they have sold which are not found in their account as of the date stipulated by the by laws, the Clearing House retains the funds received due to such sale in the bank accounts of the Clearing House, with the addition of a safety factor as provided by the by laws, until such securities are received.

See Note 6 for additional details.

(b) MAOF Clearing House

1. MAOF Clearing House Risk Fund

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 its obligations towards the Clearing House as well as to secure its share in the Risk Fund. The amount of the Risk Fund as of December 31, 2008 is NIS 697 million.

The amount of the Risk Fund is updated every calendar quarter and is to be the higher of:

a. The average daily amounts of collateral demanded during the prior quarter from MAOF Clearing House members not included among the five banks that are members in the MAOF Clearing House with the highest shareholders' equity among the banks that are members of the MAOF Clearing House.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management (Cont.)

4. Risk funds of the clearing houses and current collateral (Cont.)

(b) MAOF Clearing House (Cont.)

b. One third of the average daily amount of collateral demanded during the prior quarter from all MAOF Clearing House members.

c. NIS 200 million.

The share of each member of the Risk Fund will be updated every time there is an update and will be the higher of the following two amounts:

(1) The amount of the Risk Fund multiplied by the relationship between the average daily amounts of collateral demanded at the start of the trading days from the member and the total average daily amounts of collateral demanded at the start of the trading days from all MAOF Clearing House members.

(2) NIS 5 million.

The assets actually deposited by part of the members exceed the collateral demanded from them as above.

The assets which the members are allowed to give as collateral are government bonds and cash. The government bonds provided as collateral are deposited in accounts in the TASE Clearing House with a separate account being opened for each member in the name of the MAOF Clearing House. Cash provided as collateral is deposited in bank accounts with a separate account being opened for each member in the name of the MAOF Clearing House. Such collateral that is deposited in these accounts is the property of the members of the MAOF Clearing House which deposited them and the income received from the collateral belongs to the members.

Commencing on December 1, 2008, each MAOF Clearing House member must deposit at least 25% of his share in the Risk Fund- in cash. Subject to the aforesaid, the composition of the collateral is set by the members.
The MAOF Clearing House members have pledged the assets and rights in the above accounts in favor of the MAOF Clearing House, as stipulated in the by laws of the MAOF Clearing House.

2. Current collateral

In addition to the aforesaid, MAOF Clearing House members deposit collateral with respect to their operations in the derivatives market. The demand for collateral from the MAOF Clearing House members is computed according to a scheme of occurrences stipulated in the by laws of the MAOF Clearing House.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management (Cont.)

4. Risk funds of the clearing houses and current collateral (Cont.)

(b) MAOF Clearing House Risk Fund (Cont.)

2. Current collateral (Cont.)

The demand for collateral from all MAOF Clearing House members is computed in real time by a computerized system ("Mabat") according to the transactions executed during trading. The system warns when a member is demanded to complement collateral and in such case, the member is required to deposit collateral during a time period of up to 20 minutes or 30 minutes from the time of the warning, as stipulated in the by laws of the MAOF Clearing House.

According to the by laws of the MAOF Clearing House, the MAOF Clearing House monitors changes in market conditions in the course of trading ,and when adjustment of the "parameters" is necessary, such as: in price or standard deviation of the base asset, the current collateral demand from members is adjusted to the changed market conditions.

The total collateral demands as of December 31, 2008 with respect to transactions in derivatives was NIS 1,493 million. The collateral actually provided by the MAOF Clearing House members exceeds the collateral demand as above.

3. Offset right

Pursuant to the by laws of the MAOF Clearing House, in the case of non payment by 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 charge against it by a member, of every and any type, including for positions with different expiration dates, against any charge by the MAOF Clearing House against that member.

The fair value of the assets and liabilities which result from the open positions of all members of the MAOF Clearing House, which also takes into account the offset of charges and credits that are derived from the open positions of the member with different expiration dates, is NIS 38 million (as of December 31, 2007- NIS 66 million).

5. Investments in securities and cash of the financial reserves of the TASE

The financial reserves of the TASE are invested in securities and in short term bank deposits and managed in a blind trust by 11 portfolio managers which are TASE members or companies wholly owned by them.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(1) Credit risk management (Cont.)

5. Investments in securities and cash of the financial reserves of the TASE (Cont.)

The TASE reduces the exposure to credit risk with respect to these investments by means of investment policies which include, inter alia, restrictions with relation to the types of securities held, the composition of the securities portfolio (at least 80% is invested in government bonds, short term loans and bank deposits), the maximum volume of portfolio to be managed with a portfolio manager and the maximum proportion of holdings of the securities of one entity.

The investment policies of the TASE Group and the rules of monitoring the investment portfolios are approved annually by the Board of Directors of the TASE. A current follow up is also performed by an external Certified Public Accountant as to the compliance of the portfolio managers with the policies set, and the findings of the follow up are reported to the Audit Committee and to the Board of Directors once each year.

The following is the composition of the investment portfolio of securities and cash

	2008	2007
	NIS in thousands	
Shares	16,279	31,035
Government loans and bonds	147,675	138,868
Other	2,438	1,647
Total securities	166,392	171,550
Cash	67,868	35,377
Overall total	234,260	206,927

(2) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to comply with its financial obligations when their payment date arrives. The liquidity risk to which the Group companies are exposed is low.

The payment dates of the great majority of the financial liabilities which derive from the clearance activities which are detailed in paragraph 1 above are within one day.

In order to assure consecutiveness in the operations of the clearing houses in the event that a member does not pay for his activities in securities or derivatives, each member must deposit collateral in cash into the accounts maintained in banks in the name of the clearing houses to the extent of at least 25% of his share in each of the Risk Funds of the TASE Clearing House and the MAOF Clearing House.

In order to permit immediate liquidity of the portion of the collateral invested in debentures, negotiation are ongoing with the Bank of Israel for the purpose of arriving at an agreement according to which, should the TASE Clearing House or the MAOF Clearing House find it necessary to realize collateral given to it by members, the Bank of Israel would immediately purchase debentures from them, under conditions to be stipulated, in the context of the realization of collateral by the clearing houses.

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(2) Liquidity risk management (Cont.)

In addition, a number of steps have been taken for the purpose of maintaining consecutiveness of trading and clearance, as follows:

(1) The TASE has shareholders' equity of NIS 328 million as of 31.12.08.

(2) A bank credit line was allotted to the TASE Clearing House by a commercial bank of up to NIS 30 million against appropriate collateral in order to provide immediate liquidity to the extent necessary (non compliance of a member with his obligations).

(3) See Note 19 D (2) with regard to resolutions of the TASE in the matter of granting loans to the TASE Clearing House and the MAOF Clearing House.

(3) Market risk management

a. Price risk

1. In clearance transactions, the clearing houses do not bear the price risk, except in a case in which a member does not pay for its activities in securities or derivatives. The clearance houses confront price risks relating to their operations by means of risk funds-see paragraph D (1) 4 above.

2. The Group has investments in marketable financial assets as itemized above. Accordingly, the Group has exposure with respect to changes in the fair value of these financial assets as the result of changes in their market price.

The dispersal of the assets among approximately 11 portfolio managers, and the establishment of investment policies according to which at least 80% of the value of the portfolio will be invested in State bonds, short term loans and bank deposits, diminishes the exposure of the financial assets to extreme changes in their market values.

The pre-tax effect of a change of +/- 3%, +/- 6% in the prices of the financial assets exposed to such price risk is as follows:

December 31, 2008			December 31, 2007		
Total securities	Change of +/- 3%	Change of +/- 6%	Total securities	Change of +/- 3%	Change of +/- 6%
NIS in millions					
166	5	10	171.5	5.15	10.3

NOTE 18 - PURPOSES AND POLICIES OF FINANCIAL RISK MANAGEMENT (Cont.)

D. Purposes and policies of risk management (Cont.)

(3) Market risk management (Cont.)

b. Interest risk

The Group has investments in bank deposits at variable interest and, therefore, there is exposure to changes in interest.

The table below itemizes the pre-tax effect of a change of +/- 1%, +/- 2% in 2008 and +/- 2%, +/- 4% in 2007 in interest on deposits as follows:

December 31, 2008			December 31, 2007		
Total deposits	Change of +/- 1%	Change of +/- 2%	Total deposits	Change of +/- 2%	Change of +/- 4%
NIS in millions					
64.5	0.64	1.3	32.9	0.66	1.3

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES

A. Benefits to interested parties (*)

	Year ended December 31	
	2008	2007
	NIS in thousands	
Short term benefits	3,187	3,503
Benefits after termination of employment	637	668
Long term benefits	(458)	125
Salary and related expenses for CEO and Board Chairman (1)	3,366	4,296
Number of people	2	2
Fees of non-employed directors	567	345
Number of people	9	7

(*) Represents compensation of managerial key personnel.

(1) See Note 13 B (1) k with regard to the employment contracts with the CEO and Board Chairman.

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES (Cont.)

B. Balances with interested and related parties:

(1) Balances with interested parties:

	December 31	
	2008	**2007**
	NIS in thousands	
In current assets (1)		
Cash and cash equivalents	29,785	3,775
Trade accounts receivable (2)	5,638	5,014
In current liabilities (1) (2)		
Payables and other current liabilities - MAOF Clearing House members	1,547	2,477

(1) See Note 5 regarding receivables and payables with respect to open derivative positions. See Note 6 with regard to assets and liabilities for securities not transferred to the TASE Clearing House on a timely basis.

(2) The balances are not CPI linked and are not interest bearing.

(2) Balances with related parties:

	December 31	
	2008	**2007**
	NIS in thousands	
Liabilities for employee benefits	8,028	7,266

NOTE 19 - INTERESTED PARTIES AND RELATED PARTIES (Cont.)

C. Transactions with interested and related parties

(1) Transactions with interested parties:

	Year ended December 31	
	2008	**2007**
	NIS in thousands	
Revenues from services	149,709	154,265
(2) Transactions with related parties:		
(a) Transactions with affiliated company		
Rent to SOL-affiliate	2,996	2,875
(b) Transactions with subsidiaries (1)		
Participation in expenses by MAOF Clearing House (*)	24,613	30,123

(*) Participation by the MAOF Clearing House in expenses of the Company is calculated according to the relationship of the volume of revenues of the Company and the MAOF Clearing House, pursuant to an agreement between the companies.

(1) There is a firm operational affinity between the TASE and the two clearing houses. This situation is expressed by the fact that the TASE makes available to the clearing houses all of operational infrastructures that they need (computers, manpower, etc.), and conversely, the revenues from securities clearance are transmitted to the TASE and recorded in its financial statements, whereas the MAOF Clearing House, whose trading and clearance commissions are recorded in its financial statements, participates in the expenses of the TASE in proportion to the share of the MAOF Clearing House in revenues out of the total revenues of the two companies.

D. Additional information pertaining to transactions with related parties

(1) The Company and the subsidiaries have financing income and expenses from transactions with related parties that are banks and other members of the TASE, resulting 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) Resolutions of the TASE with respect to the granting of a loan to the TASE Clearing House and the MAOF Clearing House:

The General Meeting of the TASE, during the month of January 2004, approved the granting of a loan to the TASE Clearing House not to exceed NIS 50 million, 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 determine 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 TASE 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 19 - INTERESTED PARTIES AND RELATED PARTIES (Cont.)

D. Additional information pertaining to transactions with related parties (Cont.)

(2) Resolutions of the TASE with respect to the grant of a loan to the TASE Clearing House and the MAOF Clearing House (Cont.):

At the beginning of 2009, the Board of Directors of the TASE approved the granting of a loan to the MAOF Clearing House not to exceed NIS 50 million, and subject to the amount of the loan to be granted to the MAOF Clearing House, together with the aforesaid loan to be granted to the TASE Clearing House, not to exceed NIS 50 million, this in the event that the MAOF Clearing House should need a loan in order to meet its liabilities. It was also decided to authorize the above committee of the Board of Directors to determine the timing of giving the loan and also to determine the amount of the loan, subject to the restrictions stated above.
The resolution to grant the loan to the MAOF Clearing House is subject to approval of the General Meeting of the TASE.

The TASE has no obligation vis-à-vis the clearing houses to provide such loans. The grant of loans, as needed, will be as per the authorized committee as mentioned above.

(3) See Note 15 regarding indemnification of directors and officers and the granting of exemption from responsibility to directors and officers.

NOTE 20 - LIENS

In March 2008, the TASE Clearing House opened a bank account (hereafter-"the account") for purposes of receiving loans, if and when the Clearing House will have an immediate need for cash for the uninterrupted continuation of clearance in the event of the collapse of a member.

In April 2008, a first ranked fixed lien was registered on the securities deposited and/or to be deposited in the account or on the proceeds from their sale and/or on the income from the securities.

In the event that the Clearing House will take such loan in the future, it will deposit the securities in favor of the bank.

The Clearing House has not made any use of the account since it was opened and no assets whatsoever have been deposited into it.

NOTE 21 - CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY

A. Accounting policies for data from the separate financial statements of the Company

The accounting policies that are implemented in the separate financial statements of the Company are identical to what is stated in Note 2, except for the following:

The Company presents its investments in the investee companies while applying the cost method. The Company has elected to implement by early adoption the amendment to IFRS 1 which permits, for purposes of presentation in separate financial statements, to measure the investments in subsidiaries and affiliates at deemed cost as of January 1, 2007. In accordance with the amendment, deemed cost will be measured according to the fair value of the investments as of January 1, 2007 or according to their book value on the equity method, as these investments had been presented pursuant to generally accepted accounting principles in Israel. The Company chose the second alternative for purposes of determining deemed cost.

NOTE 21 - CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (Cont.)

A. Accounting policies for data from the separate financial statements of the Company (Cont.)

Additionally, according to such amendment, income from dividends declared by the investee companies will be recognized in the statement of operations on the date that the Company's right to receive the dividends is created.

On the date of distribution of such dividends, in the event that there is evidence that the cost of the investment exceeds the share of the Company in net assets of the investee company (including goodwill and attributed excess cost, as presented in the consolidated financial statements), or that the dividends exceed (OCI) the operating results of the investee company for the period in which the dividends were declared, a comprehensive evaluation should be performed as to the impairment in value of such investment.

Investments in investees presented on the equity method as deemed cost as of January 1, 2007

	NIS in thousands
Affiliate	4,270
Subsidiaries	91,779
	96,049

NOTE 21 - CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (Cont.)

B. Balance sheets

	December 31, 2008	December 31, 2007
	NIS thousands	
Assets		
Current assets		
Cash and cash equivalents	34,866	14,475
Financial assets at fair value through operations-held for trade	80,092	80,578
Trade accounts receivable	12,268	8,248
Receivables and other current assets	3,152	5,336
Total current assets	130,378	108,637
Non current assets		
Investments in affiliate	4,270	4,270
Investments in subsidiaries	91,779	91,779
Fixed assets, net	57,788	52,763
Intangible assets	33,375	19,939
Prepaid expenses for operating lease	31,181	31,181
Assets related to employee benefits	1,087	-
Total non current assets	219,480	199,932
Total assets	349,858	308,569
Liabilities and shareholders' equity		
Current liabilities		
Trade accounts payable	13,037	13,606
Liabilities with respect to current taxes	1,359	2,272
Liabilities with respect to employee benefits	26,262	26,290
Payables and other current liabilities	4,304	4,055
Total current liabilities	44,962	46,223
Non current liabilities		
Liabilities with respect to employee benefits	2,890	6,749
Total non current liabilities	2,890	6,749
Shareholders' equity	302,006	255,597
Total liabilities and shareholders' equity	349,858	308,569

NOTE 21 - CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (Cont.)

C. Statements of operation:

	Year ended December 31	
	2008	**2007**
	NIS in thousands	
Revenues from services		
Trading and clearing commissions	95,339	93,461
Securities trading registration and annual fees	35,572	51,753
Clearing House services	23,892	19,943
Distribution of trade and other data	32,321	32,790
Other	2,500	2,462
	189,624	200,409
Cost of revenues		
Employee benefits expenses	84,792	88,887
IT and communication expenses	22,707	20,336
Rent, municipal taxes and building maintenance	10,356	10,595
General and administrative expenses	12,041	12,392
Marketing	5,028	7,247
Fee to Israeli Securities Authority	7,667	7,460
Depreciation and amortization	11,769	11,155
Other expenses, net	60	503
	154,420	158,575
Participation in expenses by the MAOF Clearing House Ltd.	(24,613)	(30,123)
	129,807	128,452
Operating income before net financing income	59,817	71,957
Financing income	2,424	7,595
Financing expenses	(121)	(127)
Total net financing income	2,303	7,468
Income before taxes	62,120	79,425
Income taxes	15,711	23,347
Net income for the year	46,409	56,078

NOTE 21 - CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (Cont.)

D. Statement of changes in shareholders' equity

	Capital reserves	Retained earnings	Total
	NIS in thousands		
Balance - January 1, 2007	3,200	196,319	199,519
Changes in 2007			
Net income for the year	-	56,078	56,078
Balance - December 31, 2007	3,200	252,397	255,597
Changes in 2008			
Net income for the year	-	46,409	46,409
Balance - December 31, 2008	3,200	298,806	302,006

NOTE 21 - CONDENSED DATA FROM THE SEPARATE FINANCIAL STATEMENTS OF THE COMPANY (Cont.)

E. Statement of cash flows

	Year ended December 31,	
	2008	**2007**
	NIS in thousands	
CASH FLOWS - OPERATING ACTIVITIES		
Net income from continuing activities	46,409	56,078
Tax expenses recognized in the statement of operations	15,711	23,347
Net financing income recognized in the statement of operations	(2,303)	(7,468)
Capital loss from realization of fixed and intangible assets	60	503
Depreciation and amortization	11,769	11,155
	71,646	83,615
Changes in assets and liability items		
Increase in trade accounts receivable and receivables and other current assets	(1,836)	(3,972)
Decrease in trade accounts payable and payables and other current liabilities	(4,340)	(3,785)
Increase (decrease) in liabilities with respect to employee benefits	(4,974)	5,767
	60,496	81,625
Interest received	5,223	4,527
Interest paid	(121)	(127)
Taxes paid on current operations	(16,353)	(18,657)
	(11,251)	(14,257)
Net cash derived from operating activities	49,245	67,368
CASH FLOWS - INVESTING ACTIVITIES		
Acquisition of fixed assets	(9,348)	(34,376)
Proceeds from disposition of fixed assets	-	112
Acquisition of intangible assets	(7,892)	(7,680)
Payments for development costs capitalized to intangible assets	(9,030)	(5,617)
Proceeds from realization (acquisition) of financial assets held for trading, net	(2,149)	9,778
Taxes paid on financial assets held for trading	(394)	(341)
Payments for operating lease of land	-	(31,181)
Net cash used in investing activities	(28,813)	(69,305)
Increase (decrease) in cash and cash equivalents	20,432	(1,937)
Cash and cash equivalents at beginning of year	14,475	16,548
Effect of changes in exchange rates on cash balances held in foreign currency	(41)	136)
Cash and cash equivalents at end of year	34,866	14,475
<u>Appendix A-Non-cash activities</u>		
Fixed assets purchased on credit	4,020	9,309

NOTE 22 - ADJUSTMENT OF FINANCIAL DATA PRESENTED IN THE PAST ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAELTO IFRS REPORTING

A. General

Following the issuance in July 2006 of Accounting Standard No. 29, “Adoption of International Financial Reporting Standards (IFRS)”, the Group adopted 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 Group 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, IFRS 1 includes a number of concessions as to which retroactive implementation is not obligated. For the concession that the Company chose to apply, see paragraph F below.

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 and financial reporting standards 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 consolidated balance sheets and the components of shareholders’ equity of the Company as of January 1, 2007 and December 31, 2007, the consolidated statement of operations for the year ended on December 31, 2007, and the major adjustments to the consolidated statements of cash flows of the Group, prepared according to international accounting rules, are presented below. Additionally, the major adjustments needed for the transition of reporting pursuant to generally accepted accounting principles in Israel to reporting according to the IFRS are presented.

NOTE 22 - ADJUSTMENT OF FINANCIAL DATA PRESENTED IN THE PAST ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAELTO IFRS REPORTING (Cont.)

B. Consolidated balance sheets

	Add'l data	As of December 31, 2007			As of January 1, 2007		
		Israeli standards	Adjustments	As per IFRS	Israeli standards	Adjustments	As per IFRS
		NIS in thousands					
Assets							
Current assets							
Cash and cash equivalents		35,377	-	35,377	26,240	-	26,240
Financial assets at fair value through operations-held for trading		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	5	6,863	(3,383)	3,480	7,669	(4,101)	3,568
Current tax assets	5	-	3,383	3,383	-	4,101	4,101
		378,634	-	378,634	682,899	-	682,899
Non current assets							
Investment in affiliate company		4,411	-	4,411	(*) 4,270	-	4,270
Fixed assets		52,763	-	52,763	17,285	-	17,285
Intangible assets		20,431	-	20,431	10,697	-	10,697
Prepaid expenses for operating lease		31,181	-	31,181	-	-	-
		108,786	-	108,786	32,252		32,252
Total assets		487,420	-	487,420	715,151	-	715,151
Liabilities and shareholders' equity							
Current liabilities							
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
Liabilities for current taxes	5	-	2,581	2,581	-	291	291
Liabilities for employee benefits		-	26,290	26,290	-	21,507	21,507
Payables and other current liabilities	1,5	36,959	(29,471)	7,488	26,425	(22,418)	4,007
		206,955	(600)	206,395	509,867	(620)	509,247
Long-term liabilities							
Liabilities for employee benefit	2	6,770	(21)	6,749	5,167	598	5,765
Liabilities for deferred taxes	1	-	600	600	-	620	620
		6,770	579	7,349	5,167	1,218	6,385
Shareholders' equity							
Capital reserves		3,200	-	3,200	3,200	-	3,200
Retained earnings	2	270,455	21	270,476	(*)196,917	(598)	196,319
		273,655	21	273,676	200,117	(598)	199,519
Total liabilities and shareholders' equity		487,420	-	487,420	715,151	-	715,151

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

NOTE 22 - ADJUSTMENT OF FINANCIAL DATA PRESENTED IN THE PAST ACCORDING TO ENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAELTO IFRS REPORTING (Cont.)

C. Consolidated statement of operations

	Add'l data	International standards	Adjustments	Israeli standards
		Year ended December 31, 2007		
		NIS thousands		
Revenues from services				
Trading and clearing commissions		150,539	-	150,539
Securities trading registration and annual fees		51,753	-	51,753
Clearing House services		19,973	-	19,973
Distribution of trade and other data		32,790	-	32,790
Other		2,462	-	2,462
Total revenues from services		257,517	-	257,517
Cost of revenues				
Employee benefits expenses	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 securities to the MAOF Risk Fund		10,153	-	10,153
Other expenses, net	4	-	503	503
Total cost of revenues		168,846	(116)	168,730
Operating income before net financing		88,671	116	88,787
Financing income	3	15,478	273	15,751
Financing expenses	3	-	(273)	(273)
Total financing income, net		15,478	-	15,478
Operating income after net financing		104,149	116	104,265
Company's share of earnings of affiliate	6	-	398	398
Other expenses, net	4	503	(503)	-
Pre-tax income		103,646	1,017	104,663
Income taxes		30,506	-	30,506
Income after income taxes		73,140	1,017	74,157
Company's share in earnings of investees, net	6	398	(398)	-
Net income for the year		73,538	619	74,157

NOTE 22 - ADJUSTMENT OF FINANCIAL DATA PRESENTED IN THE PAST ACCORDING TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ISRAELTO IFRS REPORTING (Cont.)

D. Equity adjustments

	Capital reserves	Retained earnings	Total
		NIS thousands	
Balance - January 1, 2007 Israeli standards	3,200	196,917	200,117
Effect of measurement of employee benefits under the new standards	-	(598)	(598)
Balance - January 1, 2007 - International standards	3,200	196,319	199,519
Balance - December 31, 2007 Israeli standards	3,200	270,455	273,655
Adjustment of opening balance	-	(598)	(598)
Effect of measurement of employee benefits under the new standards	-	619	619
Balance - December 31, 2007 - International standards	3,200	270,476	273,676

E. Principal adjustments to balance sheet and statement of operations

Benefits to employees

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

According to international standards, accrual for severance payment is computed on a basis of actuarial estimations which includes expected duration of employment, time value and expectation for wage rises until retirement and the possibility that the employees will retire with conditions that will not credit them the compensation.

On the date of transition to the IFRS, all of the net liabilities for employee benefits after termination of employment and other long term benefits are measured according to the instructions of IAS 19 with regard to employee benefits, based on actuarial estimates and capitalized amounts.
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.

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

IFRS 1 includes a number of concessions as to which retroactive implementation is not obligated. Following is the concession that the Company chose to adopt in its opening balance sheet according to IFRS 1 as of January 1, 2007 (“opening balance sheet”):

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.