

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD.

FINANCIAL STATEMENTS

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD**

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

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and its results of operations, changes in shareholders equity and cash flows for each of the three years ended on December 31, 2007, in conformity with generally accepted accounting principles.

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

Brightman Almagor & Co.
Certified Public Accountants

Tel Aviv, Israel
May 22, 2008

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
BALANCE SHEETS

	<u>Note</u>	December 31,	
		2 0 0 7	2 0 0 6
		NIS in thousands	
Current assets			
Cash and cash equivalents		3,321	(*) 3,687
Marketable securities	3	31,264	28,290
Assets with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	4	59,943	143,001
Receivables and other current assets	5	77	(*) 51
		94,605	175,029
Current liabilities			
Liabilities with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	4	59,943	143,001
Payables and other current liabilities	6	1,037	1,097
		60,980	144,098
Contingent liabilities	7		
Shareholders' equity	8	33,625	30,931
		94,605	175,029

(*)Reclassified

The accompanying notes are an integral part of the financial statements.

Tel Aviv, May 22, 2008

Approval date of the financial statements

Saul Bronfeld
Chairman of the Board
of Directors

Ester Levanon
Director

Joseph Treister
Senior Vice President
Administration and Finance

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
STATEMENTS OF OPERATIONS

	<u>Note</u>	<u>Year ended December 31,</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
				<u>NIS in thousands</u>
Financing income, net	9	3,450	1,306	182
Administrative expenses		<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Pre-tax income		3,449	1,305	181
Income taxes	10	<u>(755)</u>	<u>(396)</u>	<u>(52)</u>
Net income for the year		<u>2,694</u>	<u>909</u>	<u>129</u>

The accompanying notes are an integral part of the financial statements.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	<u>Share Capital</u>	<u>Capital Reserve</u>	<u>Retained Earnings</u>	<u>Dividend declared subsequent to the balance sheet date</u>	<u>Total</u>
	NIS in thousands				
Balance January 1, 2005	(*)	(2,841)	7,384	-	4,543
Changes in 2005:	(*)	-	-	-	(*)
Net income for the year	-	-	129	-	129
Dividend declared after balance sheet date	-	-	(4,650)	4,650	-
Balance January 1, 2006	(*)	(2,841)	2,863	4,650	4,672
Changes in 2006:					
Net income for the year	-	-	909	-	909
Issuance of share capital	30,000	-	-	-	30,000
Dividend	-	-	-	(4,650)	(4,650)
Balance January 1, 2007	30,000	(2,841)	3,772	-	30,931
Changes in 2007:					
Net income for the year	-	-	2,694	-	2,694
Balance December 31, 2007	<u>30,000</u>	<u>(2,841)</u>	<u>6,466</u>	<u>-</u>	<u>33,625</u>

* Less than NIS 1,000.

The accompanying notes are an integral part of the financial statements.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
<u>CASH FLOWS – OPERATING ACTIVITIES</u>			
Net income for the year	2,694	909	129
Adjustments required to present cash flows from operating activities:			
Loss (Gain) from realization of marketable securities	(966)	45	(10)
Decrease (Increase) in receivables and other current assets	(26)	(*)86	(47)
Decrease (Increase) in receivables with respect to assets with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	83,058	(143,001)	-
Increase (Decrease) in payables and other current liabilities	(60)	710	52
Increase (Decrease) in liabilities with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	(83,058)	143,001	-
Net cash provided by operating activities	1,642	1,750	124
<u>CASH FLOWS – INVESTMENT ACTIVITIES</u>			
Purchase of marketable securities	(10,009)	(30,672)	(1,873)
Proceeds from the disposition of marketable securities	8,001	2,794	1,988
Net cash provided (used) by investment activities	(2,008)	(27,878)	115
<u>CASH FLOWS – FINANCING ACTIVITIES</u>			
Repayment of capital notes	-	2,600	-
Dividend	-	(4,650)	-
Issuance of share capital	-	30,000	-
Net cash provided by financing activities	-	27,950	-
<u>Increase (Decrease) in cash and cash equivalents</u>	(366)	1,822	239
<u>Cash and cash equivalents at beginning of year</u>	3,687	1,865	1,626
<u>Cash and cash equivalents at end of year</u>	3,321	(*) 3,687	1,865

(*)Reclassified

The accompanying notes are an integral part of the financial statements.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - GENERAL

- A. The Clearing House of the Tel- Aviv Stock Exchange Ltd is a company, the entire ownership of which was acquired by the Tel- Aviv Stock Exchange Ltd. ("Stock Exchange") at the end of the year 2006. It is deals principally in the clearing of securities, excluding derivatives, and the rendering of the services of a central depository for securities.

Most of the Clearing House's income and expenses are recorded in the Tel- Aviv Stock Exchange Ltd. financial report (the parent Company).

- B. The Company's financial statements are prepared in accordance with the Israeli Securities Regulations (Preparation of Annual Financial Statements), 1993.
- C. The financial statements represent a translation into English (from original Hebrew financial statements).
- D. **Definitions:**

The Company or the Clearing House - the Tel Aviv Stock Exchange Clearing House Ltd. ("the Company" or "CH").

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

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

CPI - the Israeli official consumer-price index.

Dollar (or \$) - the US dollar.

- E. In August 2005, the court of law ratified the arrangement between the Company and its members, within the framework of which the Company turned from a limited entity without share capital into a company with share capital, in accordance with Section 350 of the Companies Law.

The second phase of the plan took place during 2006, within the framework of which the Company's ownership structure changed so that the stock exchange bought from the members of the Clearing House, and on September 2006 the Company turned into a wholly owned subsidiary of the stock exchange.

- F. **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates and assumptions regarding transactions or matters whose final impact on the financial statements cannot precisely be determined when preparing these financial statements. Although made on the basis of discretion and judgment, these estimates could differ from actual results.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

a. Financial reporting in reported amounts

(1) Definitions:

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

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

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

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

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

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

Balance sheet:

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

Statement of operations:

- Income and expenses, including financing, have been included in nominal values.
- Income and expenses derived from non- monetary items were calculated parallel to the computation of the balance sheet items to which they relate.

b. Cash and cash equivalents

Cash and cash equivalents include demand deposits and short-term unrestricted deposits in banks with maturity dates not exceeding three months from the date of deposit.

c. Marketable securities

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

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Assets and liabilities derived from securities not transferred to the Stock Exchange Clearing House on a timely basis

These balances were presented at their fair value as of the balance sheet date. See Note 4 for further details.

e. Income taxes

The Company performs the allocation of taxes with respect to temporary differences between the value of assets and liabilities in the financial statements and their tax basis. The deferred income taxes are computed at the tax rates expected upon realization, as known as of the balance-sheet date.

f. Fair value of financial instruments

The fair value of the financial instruments is based upon the prices established in the framework of the trading on the Stock Exchange as of the balance sheet date.

g. 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.

h. Transactions between an entity and its controlling shareholder

Through December 31, 2006, an asset that was purchased from a controlling shareholder was treated in accordance with the Securities Regulations (Presentation in the Financial Statements of Transactions between an Entity and its Controlling Shareholder)- 1996 (hereafter: the Regulations”).

Commencing from January 1, 2007, the Company is implementing Accounting Standard No. 23, “Accounting Treatment of Transactions between an Entity and its Controlling Shareholder”.

The standard stipulates that the valuation basis of transactions carried out between an entity and its controlling shareholder is fair value. Transactions with the character of owners' investments or distributions to owners should be presented in shareholders' equity and they should not be included in the operating results of the controlled entity. Differences between the consideration determined in transactions between an entity and its controlling shareholder and the fair value of those transactions shall be recorded to shareholders' equity. Current and deferred taxes that relate to items recorded to shareholders' equity with respect to transactions with controlling shareholders shall also be recorded directly to shareholders' equity. The provisions of the standard do not apply to transactions for the combination of businesses under common control.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

The Standard establishes that the financial statements of an entity subject to the Securities Law and its reporting requirements, other than foreign corporations defined therein, will be prepared for the reporting periods starting January 1, 2008, in accordance with the IFRS and their related clarifications published by the International Accounting Standards Board. Standard No. 29 enables the applicable entities to prepare their financial statements prior to January 1, 2008, starting the financial statements published subsequent to July 31, 2006.

Although Standard No.29 is not applied by the Company, still The Standard allows entities that are not subject to the Israeli Securities Law to prepare their financial statements in accordance with the IFRS starting the financial statements published subsequent to July 31, 2006.

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

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

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

See Note 13 with respect to the adjustments that will be executed at the time of the transition to reporting according to the IFRS.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Cont.)

j. Exchange rates and linkage

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

	Exchange rate (NIS/\$)	CPI
<u>December 31,</u>		
2007	3.846	120.19
2006	4.225	116.93
2005	4.603	117.27
	%	%
Rate of change in year ended		
<u>December 31,</u>		
2007	(8.97)	2.79
2006	(8.21)	(0.29)
2005	6.84	2.69

4. Exchange rate and linkage differences are allocated to operations as incurred.

NOTE 3 - MARKETABLE SECURITIES

	December 31,	
	2007	2006
	NIS in thousands	
Composition:		
Shares	4,671	4,531
Corporate debentures	843	934
Convertible debentures	110	160
Government bonds and other debentures	25,640	22,665
	31,264	28,290

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE4 - ASSETS AND LIABILITIES DERIVING FROM SECURITIES THAT WERE NOT TRANSFERRED TO THE STOCK EXCHANGE CLEARING HOUSE ON A TIMELY BASIS

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

- A. The amounts in this section express the amount of the monetary value of the securities that were sold on the Stock Exchange or in the EURO MTS system (an European trading system in which the bonds of the State of Israel are traded), in transactions which are under the responsibility of the Company (being a Central Counter Party) and are not found in the clearing accounts of a member of the Clearing House on the date stipulated in the by-laws as the date of their transfer to the member who purchased them.
- B. Cash with a monetary value of NIS 89 million was deposited into the bank accounts of the Clearing House in order to secure the aforementioned obligations of the members of the Clearing House.
- C. The Clearing House has a Risk Fund. A member of the Clearing House pledges collateral in favor of the Clearing House as a guarantee for meeting his obligations towards the Clearing House as well as to secure his share in the Risk Fund. The amount of the Risk Fund as of December 31, 2007 is NIS 942 million. Commencing from April 2008, the amount of the Risk Fund is updated each six months in accordance with the rules that were prescribed by the by-laws of the Stock Exchange Clearing House (until that time, the amount of the Risk Fund was updated on March 1 of each year). The share of each member in the Risk Fund is determined according to the relationship between the clearing volume of the member during the six months of the calendar year that ended prior to the date of the update, and between the amount of the clearance volume of all of the members (excluding the Bank of Israel) for the same period, but not less than NIS 5 million, all as stipulated in the by-laws of the Clearing House.

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

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

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

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES AND OTHER CURRENT ASSETS

	December 31,	
	2007	2006
	NIS in thousands	
Composition:		
Deposits to the DTC participation fund	46	51
The Tel Aviv Stock Exchange Ltd.	31	-
	77	51

NOTE 6 - PAYABLES AND OTHER CURRENT LIABILITIES

	December 31,	
	2007	2006
	NIS in thousands	
Composition:		
Due to the Clearing House members for interest	728	779
Related parties - The Tel-Aviv Stock Exchange	-	28
Income tax authorities	309	290
	1,037	1,097

NOTE 7 - CONTINGENT LIABILITIES

Exemption granted to officers

In June 2003 the CH General Meeting resolved, subject to the provisions of the Companies Law, to exempt the directors and the other Clearing House officers from responsibility in respect of any damage caused due to breach of their prudence responsibility towards the Company.

NOTE 8 - SHARE CAPITAL

Composition - December 31, 2007 and 2006:

	Number of shares	
	Authorized	Issued and outstanding
Ordinary shares NIS 1.00 par value each	100,000,000	30,000,022

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - FINANCING INCOME, NET

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Composition:			
Finance expenses-			
Bank fees and commissions	(26)	(10)	(5)
Interest tax expenses	(17)	-	-
	(43)	(10)	(5)
Finance income-			
Gain (loss) from marketable securities, net	2,284	(16)	41
Income from deposits	1,209	1,330	146
Interest – income tax	-	2	-
	3,493	1,316	187
	3,450	1,306	182

NOTE 10 - INCOME TAXES

a. Composition:

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Current taxes	738	394	52
Prior years' taxes	17	2	-
	755	396	52

b. Relevant tax laws

The provision for taxes was determined in consideration of the directives of the Income Tax Law (Inflationary Adjustments)- 1985 which call for measurement of results for tax purposes on a real basis according to the rise in the Consumer Price Index.

c. Effective tax

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

	Year ended December 31,		
	2007	2006	2005
	NIS in thousands		
Pre-tax income	3,449	1,305	181
Tax computed by the ordinary tax rate	1,000	405	62
<u>Increase (saving) in tax in respect of:</u>			
Differences between tax laws and accounting principles	(218)	(11)	(10)
Tax in respect of prior years	17	2	-
Exempt income	(44)	-	-
Income taxes	755	396	52

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - INCOME TAXES (Cont.)

d. Tax assessments

The Company received final tax assessments up to, and including, the 2003 tax – year.

- e.** According to the Law for Amending the Income Tax Ordinance (No. 147), 2005, the current 34% corporate-tax rate would be gradually reduced commence 2006 (corporate tax rate of 31%) up to tax rate of 25% in 2010 (tax rate of 29%, 27% and 26% for the 2007, 2008 and 2009 tax-years, respectively).
- f.** On February 26, 2008, in a third reading, the Knesset passed the Income Tax Law (Inflationary Adjustments) (Amendment No. 20) (Limitation of Effective Period), 2008 (hereafter- “the amendment”), according to which the provisions of the Adjustments for Inflation Law terminate in the tax year of 2007, and starting from the tax year of 2008, the provisions of the law will no longer apply, other than the transitional provisions for the purpose of preventing distortions in tax calculations.

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

NOTE 11 - FINANCIAL INSTRUMENTS

A. Risks management:

1. Market risk:

The Company has investments in marketable financial assets. The Company has exposure due to changes in the fair value of these financial instruments as the result of changes in their market prices.

2. Credit risk:

The cash and cash equivalents and the securities of the Company are administered in a blind trust by portfolios managers who are members of the Stock Exchange or companies controlled by them. See Note 4 regarding the matter of credit risks resulting from assets derived from securities not transferred to the Stock Exchange Clearing House on a timely basis.

B. Fair value of financial instruments

The financial instruments of the Company mainly include cash and cash equivalents, marketable securities, other current assets, receivables and payables with respect to securities not transferred to the Stock Exchange Clearing House on a timely basis. Due to their nature, the balances in the December 31, 2007 balance sheet of the Group's financial instruments are close to their fair value.

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - FINANCIAL INSTRUMENTS (Cont.)

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

	Linked to to the CPI	Foreign currency and linked to foreign currency	Unlinked		Total
			Interest- bearing	Non-interest bearing	
NIS in thousands					
<u>Assets:</u>					
Cash and cash equivalents	-	-	3,316	5	3,321
Marketable securities	12,774	1,951	11,758	4,781	31,264
Assets with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	-	-	-	59,943	59,943
Receivables and other current assets	-	46	-	31	77
	<u>12,774</u>	<u>1,997</u>	<u>15,074</u>	<u>64,760</u>	<u>94,605</u>
<u>Liabilities:</u>					
Payables and other current liabilities	309	-	-	728	1,037
Liabilities with respect to securities that were not transferred to the Stock Exchange Clearing House on a timely basis	-	-	-	59,943	59,943
	<u>309</u>	<u>-</u>	<u>-</u>	<u>60,671</u>	<u>60,980</u>
Excess assets over liabilities	<u>12,465</u>	<u>1,997</u>	<u>15,074</u>	<u>4,089</u>	<u>33,625</u>

NOTE 12 - INTERESTED AND RELATED PARTIES

A. Balances with interested and related parties

	December 31,	
	2007	2006
NIS in thousands		
a. Balances (1)		
Assets - The Tel Aviv Stock Exchange Ltd.	31	-
Liabilities - The Tel Aviv Stock Exchange Ltd.	-	28
	<u>31</u>	<u>28</u>

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

b. The Company has financing income and expenses from transaction with interested parties that are banks and other Stock Exchange members, that result from transactions executed in the ordinary course of business. These amounts are, for the most part, derived from the placing of deposits with banks, administering current accounts and managing securities portfolios, and are included in the framework of "financing income, net".

THE TEL AVIV STOCK EXCHANGE CLEARING HOUSE LTD
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 - INTERESTED AND RELATED PARTIES (Cont.)

c. Indemnification of officers

The Tel Aviv Stock Exchange is obliged to indemnify the Clearing House officers. The total indemnification amount for all the Clearing House officers, cumulatively, based on the issued indemnification certificates in respect of one or more incidents outlined therein shall not exceed NIS 50 million and will strictly apply to a debt or expense indemnifiable by court and subject to the provisions of Chapter III, Section 6 of the Companies Law.

NOTE 13 - FINANCIAL DATA ACCORDING TO IFRS REPORTING

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

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

The balance sheets of the Company as of January 1, 2007 and December 31, 2007 and the total shareholders' equity of the Company prepared according to generally accepted accounting principles in Israel, identical to the balance sheets and the total shareholders' equity for each of the those dates, in conformity with international accounting rules and no adjustments are needed.

As well, in the statement of operations no adjustments are needed for the transition of reporting pursuant to generally accepted accounting principles in Israel to reporting according to the IFRS except presenting the financing income and expenses as described below:

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

According to international standards, IAS 12 prescribes that the financing expenses should be presented separately from financing income. As a result, financing expenses of approximately NIS 43 thousand and financing income of approximately NIS 3,493 thousand were presented for the year ended December 31, 2007.