



Plus500
World's Trading Machine

19 FEBRUARY 2014 PLUS500 PRELIMINARY RESULTS

Plus500 Limited
("Plus500" or "the Group")

Preliminary Results for the year ended 31 December 2013

Plus500, a leading online trading platform provider for retail customers to trade CFDs internationally, is pleased to announce maiden preliminary unaudited results for the year ended 31 December 2013.

Financial Highlights:

- Revenue increased 105% to \$115.1 million (FY 2012: \$56.1 million)
- EBITDA¹ increased 191% to \$67.3 million (FY 2012: \$23 million)
- EBITDA margin increased to 58% (FY 2012: 41%)
- Net profit increased 196% to \$50.6 million (FY 2012: \$17.1 million)
- Earnings per share increased 176% to \$0.47 (FY 2012: \$0.17)
- ARPU increased 38% to \$1,325 (FY 2012: \$962)
- Final dividend per share of \$0.1504 (\$17.3 million) and a special dividend per share of \$0.1369 (\$15.7 million), for a total dividend pay-out of \$33 million
 - Ex-Date is 12 March 2014
- Total dividend declaration since admission to AIM in July 2013 of \$41 million, representing a pay-out of 81% of net profit for the 12 months ended 31 December 2013
- Operating cash flow of \$56.3 million (FY 2012: \$19.9million)

Operational Highlights:

- Record year for revenue and profit - significantly ahead of expectations at the time of the IPO
- Successful listing on AIM in July 2013
 - Raised US\$75 million via a Placing supported by institutional investors in the UK
 - London listing has had a material positive impact on the Group's brand value
- Continued growth in active customers² increased 47% to 85,795 (FY 2012: 58,343)
- Continued growth in new customers³ increased 53% to 56,819 (FY 2012: 37,050)
- Ongoing strengthening in Plus500's market position
- Further expansion in Europe, with the UK showing strong gain in market share
- Significant increase in smartphone and tablet users accessing Plus500's trading platform
- Highest ranked smartphone and tablet app in the CFD sector at Apple's AppStore and Android's Google Play store
- Successful launch in Australia
- Board remains confident of continued growth in 2014 and beyond
- Trading in the 7 weeks to February 19th has been strong

Gal Haber, Chief Executive of Plus500, commented:

"We are delighted to announce our maiden full year results since listing in London. Our business has shown strong growth throughout 2013 during which time we generated record levels of both revenue and profits. The IPO has provided a positive catalyst for our business, particularly within the European and Australian markets where our strong presence and innovative marketing initiatives are generating significant levels of activity across our platform.

The business remains well placed to build on the growth experienced during 2013 as we look to continue our growth ambitions and expand our geographic footprint. We are delighted to be declaring both an ordinary dividend in line with our 50% payment target and a special dividend to reflect the

¹ EBITDA - Earnings before interest and taxes and depreciation and amortization

² Active Customers: Customers who made at least one real money trade during the period.

³ New Customers: Customers depositing for the first time ever during the period.

financial strength of the Group. In view of the strong start to 2014, the Board remains confident of delivering further considerable growth in 2014 and beyond.”

Company website: www.plus500.com

For further details:

Plus500 Ltd

Elad Even-Chen, VP Business Development and Head of Investor Relations Tel: +972-4-8189503

Liberum – Nomad and Broker

Chris Bowman / Thomas Bective

Tel: 020 3100 2222

www.liberum.com

Buchanan

Jeremy Garcia / Sophie McNulty / Clare Akhurst

Tel: 020 7466 5000

www.buchanan.uk.com

Operational Review

Introduction

Following the successful flotation on AIM in July 2013, the Group's maiden preliminary annual results represent our best performance to date. The number of active customers has continued to accelerate whilst customer acquisition costs remained stable and as a result, both revenues and profits have grown substantially, 103% and 196% respectively, compared to 2012 and significantly ahead of expectations at the time of the IPO. The record performance demonstrates again the strength of the Group's strategy to develop its own proprietary technology, as well as the effectiveness of its leading online marketing and affiliates programme.

There continues to be increasing interest in trading Contracts for Difference ("CFDs") across our key geographies, as investors seek a more diverse portfolio from which to trade. In particular, the Group has made excellent progress in the UK, where it is now ranked in the top five online CFD trading providers with a market share of approx. 5% (source: *Investment Trends*) and also in Australia, having launched its offering in January 2013. With the Group's strengthening market position and the broadening appeal of CFDs, the Board believes the Group is well positioned to achieve further growth in 2014.

Business Summary

Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 1,900 different underlying global financial instruments comprising equities, ETFs, foreign exchange, indices and commodities. The trading platform is available in over 50 countries, in 31 languages, across multiple operating systems (Windows PCs, smartphones and tablets (iOS and Android) and all major web browsers, as well as a corresponding app.

The three principal revenue generating activities of the Group are: (i) dealing spreads on the trading platform, (ii) overnight premiums, effectively a financing charge, on certain positions held by customers overnight and (iii) gains (offset by losses) on customers' trading positions. The Group does not charge customers a commission on trades.

The Group manages risk in a number of ways, in particular by limiting financial exposure to any individual customer to a relatively low level as well as limiting exposure to any individual instrument. The Group also has in place a hedging policy designed to further manage risk. Plus500 operates from three offices which are located in Haifa (Israel), London (United Kingdom) and Sydney (Australia). Plus500UK Limited ("Plus500UK"), the Group's UK subsidiary, is authorised and regulated by the FCA. Plus500UK also operates in other European Economic Area countries and Gibraltar through a regulatory passporting mechanism. Plus500AU Pty Ltd has an ASIC licence which enables it to conduct a financial services business in Australia.

Plus500 is currently in the early stages of considering moving from AIM to a main market listing on the London Stock Exchange and will update the market further on this in due course.

Growth Strategy

Plus500's growth strategy is focused on increasing the active customer base and growing the Average Revenue Per User ("ARPU"). The Group believes that as active customer numbers continue to build, the proportion of those who trade frequently for longer time periods should also increase, generating higher levels of ARPU. Key to driving customer numbers is the Group's improving brand awareness. This is driven by an innovative approach to sales and marketing activities comprising the highly successful affiliate programme and online marketing campaigns. The Group's proprietary automated marketing platform ensures that marketing activities are very efficient, delivering an excellent return on investment.

The Group's admission to AIM has also considerably enhanced our brand awareness, improving customer perception of Plus500. In addition, a portion of the placing proceeds is being dedicated to increasing the brand awareness of Plus500, particularly through offline marketing and sponsorship, and the benefits of these activities are starting to come through. Although the Group expects to see a positive return on raising awareness of the brand, this is more likely to evolve over the medium and long term and, as such, management believes Average User Acquisition Cost ("AUAC") is likely to rise slightly in the short term, reflecting this increased marketing expenditure.

Plus500 has built a strong operational footprint not only in the UK but also across mainland Europe and Australia. It continues to grow the existing business as well as look towards other opportunities to promote the brand and extend its market share. Furthermore, it continues to consider entry into new geographies in which it does not already have customers or significant market presence. This may be achieved by setting up local offices or subsidiaries in key locations where appropriate. The Group will also consider selective bolt-on acquisitions where they would provide Plus500 with an established customer base or a regulatory licence in a jurisdiction where it does not currently hold one. In this regard, the Group is currently evaluating a number of new territories for market entry.

Operational Review

Plus500's strong financial performance has been driven by a number of factors, including effective marketing, an improved mobile offering and new instruments. Momentum built during the year, with Q4 seeing a significant increase in activity fuelled by the upsurge in high profile news within the global capital markets and the Group's strengthening brand profile post-IPO.

This growth was reflected across all KPIs, including new customers acquisition, customer retention and revenue growth – all of which underpinned the 196% rise in profitability. Overall, the momentum in new customer numbers accelerated during the year. This growth is despite AUAC remaining steady in 2013 at \$632, testament to the efficiency of our proprietary marketing platform and online marketing campaigns. Also encouraging is the improvement in ARPU from \$962 in 2012 to \$1,325 in 2013, which the Board believes is primarily attributable to a reduction in customer churn and to the increased leverage levels being available to customers.

Growth has been particularly strong in Plus500's key territories. In Australia, the Group successfully launched its new subsidiary in January 2013 and has achieved good growth to date. In the UK, based on Investment Trends, the Group now has a 5% market share of the online CFD trading market, having doubled new customer numbers and revenues. The remainder of Europe has also seen robust growth. The Board expects the Group to continue its growth in 2014 across its jurisdictions.

Growth has also been supported by the Group's continued focus on adding new financial instruments in response to customer demand. During 2013, the Group added over 600 new financial instruments from a range of markets. Among those were CFDs on companies completing IPOs in 2013, such as Twitter, Royal Mail and Hilton. Plus500 was also the first CFD platform to offer instruments for Bitcoin and Litecoin with strong demand from customers flowing through the platform following the inclusion of these instruments.

Staff and Recruitment

The Group benefits from the scalable nature of its proprietary trading and marketing platform, which means that it has maintained its low operational cost base despite the substantial increase in customer numbers and trades. In 2013, the Group has strengthened its compliance and financial departments. Looking ahead to 2014, the Group believes that with current growth projections, it will not need to grow staff numbers significantly and that the current low cost model it employs is sustainable.

Platform Development

The Group's trading platform, which acts as a key differentiator and competitive advantage to its peers, has been developed to be as intuitive and user friendly as possible providing customers with real-time prices, allowing users to monitor their open positions and trading activity continuously, execution facilities and a multitude of order types. Customers are able to trade and access all of their account information online through a variety of different channels, which results in increased traffic to the trading platform.

As a result of Plus500's self-developed proprietary technology, the Group pays no external licence fees for its core trading platform technology. This allows the Group to operate without limiting the amount of time that a customer can use a demo account or placing high thresholds on the minimum amount with which a customer can open a real-money trade. The trading platform also provides, free of charge, real-time price and data analysis features to customers, which provides the Group with a significant competitive advantage.

The development of the trading platform continues to evolve in order to meet the growing demands of our active customer base. For example, following the launch of iOS 7, the Group immediately released a new interface for users. Plus500 is continually updating and introducing new devices to its supported portfolio to meet customer demand across the geographies where it operates.

The industry-wide trend for trading CFDs on smartphones and tablets has continued to gather pace in 2013. Plus500's mobile platforms for both smartphones and tablets now account for about 50% of revenues and customers. The Plus500 mobile app is consistently the highest ranked in its sector with an average rating of 4.5 out of 5 on both Apple's AppStore and Android's Google Play store. It has also received more reviews than competitors. The Group's web trading platform is currently being updated with the removal of Flash components for usage of HTML5 and Java Script exclusively. This will enable it to run optimally on all mobile phones and tablets. In addition, it is in the process of receiving user interface updates for better accessibility. The Group is currently also considering offering native apps for additional platforms.

Our marketing machine provides an additional advantage to Plus500, ensuring that its online marketing campaigns are highly efficient and maximising the return on investment. As the level and amount of data captured has expanded, the Group is also continuing to optimise the marketing platform with the data accumulated.

Financial Review

2013 was a record year for Plus500. The increasing brand awareness, together with favourable market conditions, underpinned significant growth in both revenues and profits. Revenues totalled \$115.1 million (2012: \$56.1 million), representing 105% growth compared to 2012. Particularly pleasing was the growing number of active users and growth in ARPU, up 38% to \$1,325 (2012: \$962).

	FY 2013	FY 2012	%Growth YoY	Q4 2013	Q4 2012	%Growth QoQ
Number of new customers	56,819	37,050	53%	19,535	8,238	137%
Number of active customers	85,795	58,343	47%	49,834	28,914	72%
ARPU	\$1,325	\$962	38%	\$1,011	\$476	112%
AUAC	\$632	\$628	1%	\$542	\$662	-18%

EBITDA in FY 2013 was \$67.3 million (FY 2012: \$23.1 million), an increase of 191%, with EBITDA margins increasing from 41% in FY 2012 to 58% in FY 2013. Results have benefited from the scalability of the Group's business model with the combination of revenue growth and further improvements in the operational cost structure driving the excellent performance. FY 2013 net profit was \$50.6 million (FY 2012: \$17.1 million), up 196%.

Plus500's total assets grew from \$25.3 million in FY 2012 to \$89.9 million in FY 2013, an increase of 255%, with cash balances increasing to \$84.1 million (FY 2012: \$22.5 million) and equity of \$68.0 million (FY 2012: \$11.9 million), representing approximately 76% of the balance sheet.

The Board has declared a final dividend of \$0.1504 per share which will be paid on 1 May 2014 to shareholders on the register at close of business on 14 March 2014; the shares will be marked ex-dividend on 12 March 2014. In addition, the Group declared \$8 million in dividends to shareholders during the first half of the year. This represents a total dividend pay-out of \$25.3 million, or 50% of net profit for the 12 months ended 31 December 2013, in line with the Group's stated policy to pay no less than 50% of retained profits in each financial year out as dividends.

In addition, the Board has declared a special dividend of \$0.1369 per share which will be paid on 1 May 2014 to shareholders on the register at close of business on 14 March 2014; the shares will be marked ex-dividend on 12 March 2014.

Current Trading & Outlook

Plus500 had an exceptional 2013 with results exceeding initial expectations significantly. This strong performance further underpins the Board's commitment to pursuing a dividend policy of paying out 50% of net profit and additional special dividends where the capital needs of the business allow.

The new financial year has started particularly strongly and we have seen customer trading run rates and all KPIs at levels already ahead of our internal forecasts. We will continue to invest in building our presence in current markets, including the UK, EU and Australia, and to explore opportunities for expansion into new geographies, which remains an important strategic goal.

With the progress made in 2013, and in view of the strong start to 2014, the Board remains confident of delivering further considerable growth in 2014 and beyond.

Plus500 LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,	
	2013	2012
	U.S. dollars in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	84,108	22,486
Short-term bank deposit	1,177	1,126
Restricted deposit	215	203
Accounts receivable	3,239	894
	88,739	24,709
NON-CURRENT ASSETS:		
Property, plant and equipment	244	240
Intangible assets	47	41
Deferred income taxes	1,063	265
	1,354	546
T o t a l a s s e t s	90,093	25,255
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Trade payables – due to clients	5,532	6,092
Other accounts payable and accruals:		
Service supplies	6,840	3,197
Other	1,134	822
Income tax payable	8,573	2,443
Liability for Share-based compensation	-	251
	22,079	12,805
NON-CURRENT LIABILITIES -		
Share-based compensation	-	503
EQUITY:		
Ordinary shares	317	6
Share premium	22,220	287
Retained earnings	45,477	11,654
T o t a l e q u i t y	68,014	11,947
T o t a l e q u i t y a n d l i a b i l i t i e s	90,093	25,255

Plus500 LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2013	2012
	U.S. dollars in thousands	
TRADING INCOME	115,088	56,127
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:		
Selling and marketing	44,322	28,930
Administrative and general	3,563	4,124
INCOME FROM OPERATIONS	67,203	23,073
Financial income	1,335	178
Financial expenses	(1,373)	(178)
FINANCING EXPENSES – net	38	-
INCOME BEFORE TAXES ON INCOME	67,165	23,073
TAXES ON INCOME	16,532	5,973
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD	50,633	17,100
	In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	0.47	0.17

Plus500 LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Ordinary shares</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
	U.S. dollars in thousands			
BALANCE AT JANUARY 1, 2011	6	287	1,613	1,906
Profit and comprehensive income for the year			17,158	17,158
TRANSACTION WITH SHAREHOLDERS -				
Dividend (see note 6)			(9,642)	(9,642)
BALANCE AT DECEMBER 31, 2011	6	287	9,129	9,422
Profit and comprehensive income for the year			17,100	17,100
TRANSACTION WITH SHAREHOLDERS -				
Dividend (see note 6)			(14,575)	(14,575)
BALANCE AT DECEMBER 31, 2012	6	287	11,654	11,947
Profit and comprehensive income for the year			50,633	50,633
TRANSACTION WITH SHAREHOLDERS -				
Dividend (see note 5)			(16,810)	(16,810)
Shares issued (net)	40	22,204		22,244
Bonus Shares issued	271	(271)		
BALANCE AT DECEMBER 31, 2013	<u>317</u>	<u>22,220</u>	<u>45,477</u>	<u>68,014</u>

Plus500 LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2013	2012
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	66,890	23,042
Income tax paid – net	(9,894)	(3,355)
Interest received	101	174
Net cash provided by operating activities	57,097	19,861
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(75)	(176)
Proceeds from sale of property, plant and equipment	-	8
Purchase of intangible assets	(17)	(10)
Net cash used in investing activities	(92)	(178)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	(16,810)	(14,575)
Proceeds from share issuance, net of 4.6M issuances cost	21,074	-
Net cash provided by (used in) financing activities	4,264	(14,575)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Balance of cash and cash equivalents at beginning of year	22,486	17,293
Losses (gains) from Exchange differences on cash and cash equivalents	353	85
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	84,108	22,486

APPENDICIES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	<u>Year ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
	<u>U.S. dollars in thousands</u>	
Cash generated from operations -		
Net income for the period	50,633	17,100
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortization	82	95
Loss on disposal of property, plant and equipment	-	14
Taxes on income	16,532	5,973
Interest and foreign exchange (gains) losses on operating activities	(590)	(168)
Gains on revaluation of deposits	(63)	(28)
	<u>15,961</u>	<u>5,886</u>
Operating changes in working capital:		
Increase (decrease) in accounts receivable	(2,345)	1,125
Increase (decrease) in trade payables due to clients	(560)	(1,487)
Increase (decrease) in other accounts payable:		
Service supplies	3,643	(159)
Other	312	438
Liability for Share-based compensation	(754)	139
	<u>296</u>	<u>56</u>
Cash flows from operating activities	<u><u>66,890</u></u>	<u><u>23,042</u></u>

Plus500 LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Plus500 Ltd. (hereafter – the company or the parent) was established in 2008 as a private limited company with the name Investsoft Ltd. On 18 June 2012 the company changed its name to Plus500 Ltd. The company has developed a trading platform for private clients, enabling trading on contracts for differences (hereafter - CFD) on shares, indexes, commodities and foreign exchange.

On 24 July 2013, the Company's shares were listed for trading on the London Stock Exchange in the Company's initial public offering ("IPO"). As part of the IPO, the Company issued 14,396,775 shares of NIS 0.01 par value in consideration for a gross amount of £16,556,291 (about \$25,000,000). Subsequent to the IPO the number of shares is 114,888,377. The share issue costs amounted to \$4.6 million.

In addition, as part of the IPO, Company shareholders sold 28,793,550 shares to the public in consideration for £33,112,583 (about \$50,000,000).

On 24 July 2013, trading in company's shares commenced in the London Stock Exchange.

In September 2009, the company established a subsidiary in the UK (hereafter – the subsidiary) in order to be granted an FSA license. The company and the subsidiary (hereafter – the group) are engaged in one operating segment - CFD trading - mainly in Europe.

In September 2011 the company established a subsidiary in Australia (hereafter – Plus500AU) in order to obtain an Australian securities and investments commission (hereafter - ASIC) license, which was granted in October 2012.

The AU subsidiary is engaged in the same field of operations - CFD trading - in Australia and begun operating commencing 2013.

The address of the company's principal offices is Building 22, Matam, Haifa 31905, Israel.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation:

The group's financial information as of December 31, 2013 and 2012 and for each of the two years in the period ended December 31, 2013, are in compliance with International Financial Reporting Standards that consist of standard and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information have been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Principles of consolidation:

A Subsidiary is an entity which the company controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is fully consolidated from the date on which control is transferred to the company.

- 1) The consolidated financial information include the accounts of the company and its wholly-owned subsidiaries.
- 2) Intercompany balances and transactions between the group's entities have been eliminated.
- 3) Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the group.

c. Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

As stated in note 1 above, the group operates in one operating segment.

d. Foreign currency translation:

1) Functional and Presentation Currency

Items included in the financial information of each of the group's entities are measured using the currency of the primary economic environment in which that entity operates (the "Functional Currency"). The consolidated financial information are presented in U.S. dollars ("USD"), which is the company and its subsidiary's functional and presentation currency.

- 3) Information regarding exchange rates of one U.S. dollar, based on data published by the Bank of Israel:

	<u>NIS</u>	<u>Pound Sterling</u>	<u>Euro</u>
Exchange rate as of December 31:			
2013	3.471	0.6045	0.7258
2012	3.733	0.6184	0.7586

	%	%	%
Increase (decrease) of the dollar: during the year:			
2013	(7.0)	(2.3)	(4.3)
2012	(2.3)	(4.6)	(2.0)
	NIS	Pound Sterling	Euro
Average exchange rate during the year:			
2013	3.609	0.6388	0.7525
2012	3.719	0.6086	0.7509
	%	%	%
Increase (decrease) during the year:			
2013	(2.9)	4.9	0.2
2012	3.9	(2.5)	4.5

e. Property, plant and equipment:

The cost of a property, plant and equipment item is recognized as an assets only if: (a) it is probable that the future economic benefits associated with the item will flow to the group and (b) the cost of the item can be measured reliably.

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and only when the two criteria mentioned above for recognition as assets are met.

Depreciation is calculated using the straight-line method to allocate the cost of property plant and equipment less their residual values over their estimated useful lives, as follows:

	Percentage of annual depreciation
Computers and office equipment	10-33
Leasehold improvements	20

Leasehold improvements are amortized by the straight-line method over the terms of the lease (five years) which is shorter than the asset's useful life.

The asset's residual values, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2g).

f. Intangible Assets - computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software licenses. These costs are amortized over their estimated useful lives (3-5 years) using the straight line method.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Costs that are directly associated with the development of software products controlled by the group are recognized as intangible assets when all the criteria in IAS 38 are met.

g. Financial assets:

1) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Group management determines the classification of its financial assets at initial recognition.

a) Financial instruments at fair value through profit or loss

This category includes 2 sub-categories: financial assets and financial liabilities held for trading and financial assets as at fair value through profit or loss. Financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if designated by management in this category. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The group's financial instruments at fair value through profit or loss comprise 'Financial derivative open positions' (offset from 'Deposits from clients' within 'Trade payables due from clients', see note 21) in the statements of 'Financial position.'

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

The group's loans and receivables comprise 'Cash and cash equivalents', 'Short-term bank deposit', 'Restricted deposit', 'Accounts receivable' and

'Long-term deposit' in the statements of financial position.

2) Recognition and measurement

Investments are initially recognized at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss, are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are measured in subsequent periods at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the statements of comprehensive income within 'Trading income in the period in which they arise.

A financial instrument is derecognized when the contract that gives rise to it is settled, sold, cancelled or expires.

3) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously (see also I below).

4) Impairment of financial assets

Financial assets carried at amortized cost.

The group assesses at the each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Where objective evidence for impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount of the financial assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed for the asset upon initial recognition). The asset's

carrying amount is reduced and the amount of the loss is recognized in profit or loss.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other highly liquid short-term investments, the original maturity of which does not exceed three months.

The subsidiary holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA). Such monies are classified as 'segregated client funds' in accordance with the FCA regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

Israeli law does not require holding client money in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts are not held on the Group's Statement of Financial Position.

The amount of segregated client funds held at year-end is disclosed in note 10.a to the financial information.

i. Accounts payable

Other accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

j. Trade payables – due to clients

As part of its business, the group receives from its customers, deposits to secure their trading positions.

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients are netted against the deposit with the same counterparty where a legally-enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade payables due to clients represent balances with counterparties and clients where the combination of cash held on account (customer deposits) and the valuation of financial derivative open positions result in an amount payable by the group.

Trade payables due to clients are classified as current liabilities as the demand is due within one year or less.

k. Share-based compensation

The group operates a share-based compensation plan, under which the group receives services from employees as consideration for subsidiary shares. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense in profit or loss. The total amount to be expensed is determined by reference to the fair value of the shares granted.

For cash-settled share-based payment transactions, the group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the group re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide either the group or the counterparty with the choice of whether the Group settles the transaction in cash or by the subsidiary's shares, the group accounts for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the group has incurred a present obligation to settle in cash or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

l. Employee benefits

Pension Obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered pension funds.

The group has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

m. Revenue recognition

Revenue is recognized when it is probable that economic benefits associated with the transaction will flow to the group and the revenue can be reliably measured.

Trading income represents gains and losses (including commission) arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair

market value and gains and losses arising on this valuation are recognized in revenue as well as gains and losses realized on positions that have closed.

Trading income is reported gross of commissions to agents as the group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers.

The said commissions are disclosed as an expense within 'selling and marketing' expenses.

n. Dividends

Dividend distribution to the company's owners is recognized as a liability in the group's statement of financial position on the date on which the dividends are approved by the group's Board of Directors.

o. Current income tax

Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in countries where the company and its subsidiary operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

p. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The group recognizes deferred taxes on temporary differences arising on investments in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the deferred income tax is also recognized directly in equity, respectively.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

q. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

r. New International Financial Reporting Standards, Amendments to Standards and New interpretations

1. New and amended standards adopted by the Group for reporting periods starting January 1, 2013:

a) IFRS 9 – "Financial Instruments" (hereafter – IFRS 9).

The first part of IFRS 9, dealing with the classification and measurement of financial assets, was issued in November 2009; it sets new requirements for classification and measurement of financial assets. The second part of IFRS 9, which includes guidelines on financial liabilities and on derecognition of financial instruments, was published in October 2010. IFRS 9 replaces certain parts of IAS 39 – "Financial Instruments: Recognition and Measurement" (hereafter – IAS 39), relating to classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. As to amounts to be recognized as above in other comprehensive income, these amounts shall not be recycled to income or loss. Nevertheless, it is allowed to transfer accumulated income or losses between equity items.

IFRS 9 and IFRS 7 - "Financial Instruments: Disclosures" were amended in December 2011 (hereafter - the Amendment) to the effect that the effective application date of IFRS 9 and its transitional provisions was changed and additional disclosure requirements were added in respect of the transition (hereafter - the additional disclosures).

Both parts of IFRS 9 will apply to annual periods commencing on 1 January 2015 or thereafter. Entities can elect to early adopt IFRS 9, but it is not permitted to adopt early the second part of IFRS 9 without implementing the first part of IFRS 9 on the same date. On the other hand, it is possible to early

adopt the first part of IFRS 9 without being required to implement the second part of IFRS 9 on the same date. Entities that will adopt IFRS 9 for reporting periods commencing January 1, 2013 or thereafter – shall not be required to modify their comparative figures but be required to provide the additional disclosures.

The group is studying the expected effect on IFRS 9 on its financial statements.

b) IFRS 13 – "Fair Value Measurement"

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity of fair value measurement by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IFRS 13 is to be applied to annual reporting period commencing on January 1, 2013 or thereafter. Early adoption is permitted, provided that the fact that the standard is early adopted is disclosed. IFRS 13 is applied prospectively commencing the beginning of the annual reporting period in which it is applied for the first time. It is not required to apply the disclosure requirements set in IFRS 13 to comparative figures relating to periods prior to first time application of the standard. The first time application is not expected to have a material effect on the group's financial statements.

c) Amendment to IFRS 7 – "Disclosures – Offsetting of Financial Assets and Financial Liabilities" (hereafter – Amendment to IFRS 7)

The Amendment to IFRS 7 adds disclosure requirements that focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to certain offsetting arrangements (irrespective of whether they are offset in the statement of the financial position).

The Amendment to IAS 32 will be applied retrospectively for annual reporting periods commencing on January 1, 2014 or thereafter; early adoption is permitted.

The Amendment to IFRS 7 will be applied retrospectively for annual reporting periods commencing on January 1, 2013 or thereafter and for interim reporting period within the said annual reporting periods.

The amendment should not be expected to have a material effect on the group's financial statements.

NOTE 3 - SHARE CAPITAL

Composed of ordinary shares of NIS 0.01 par value, as follows:

	Number of shares	
	31 December	
	2013	2012
Authorized	<u>300,000,000</u>	<u>10,000,000</u>
Issued and fully paid*	<u>114,888,377</u>	<u>2,337,014</u>

* On 24 July 2013, the Company's shares were listed for trading on the London Stock Exchange in the Company's initial public offering ("IPO"). As part of the IPO, the Company issued 14,396,775 shares of NIS 0.01 par value in consideration for a gross amount of £16,556,291 (about \$25,000,000). Subsequent to the IPO the number of shares is 114,888,377.

Set forth below are the amounts of dividends and the amounts of dividends per share for the years 2012 and 2013 resolved to distribute by the Company's Board of Directors:

Date of declaration	Amount of dividend in thousands of \$	Amount of dividend in thousands of NIS
April 17, 2012	6,660	25,000
August 16, 2012	7,915	32,000
March 18, 2013	4,874	18,000
June 19, 2013	3,894	14,000
August 22, 2013	8,042	28,445

The dividend paid in 2013 and 2012 amounted to \$ 16,810 thousands (\$ 0.14 per share), \$ 14,575 thousands (\$ 6.24 per share), respectively.

NOTE 4 - EARNINGS PER SHARE (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31	
	2013	2012
Profit attributable to equity Holders of the company (In U.S dollars)	<u>50,633,000</u>	<u>17,100,000</u>
Weighted average number of ordinary shares in issue	<u>106,730,204</u>	<u>100,491,602</u>

* On 23 June 2013, the company allotted 98,154,588 bonus shares of NIS 0.01 par value to its shareholders. According to the guidance of IAS 33, the company retrospectively

revised the average number of shares to 100,491,602 for the annual period ended 31 December 2012 and the six-month period ended 30 June 2012.

- * On 24 July 2013, the Company's shares were listed for trading on the London Stock Exchange in the Company's initial public offering ("IPO"). As part of the IPO, the Company issued 14,396,775 shares of NIS 0.01 par value in consideration for a gross amount of £16,556,291 (About \$25Milion). Subsequent to the IPO the number of shares is 114,888,377.

NOTE 5 - SUBSEQUENT EVENTS

On 18 February 2014, the Company's Board of Directors declared the distribution of a dividend of \$0.2873 per share, in the total amount of \$33,000,000.



Plus500

World's Trading Machine