Plus500

World's Trading Machine

25 FEBRUARY 2015 PLUS500 PRELIMINARY RESULTS

25 February 2015

Plus500 Limited
(“Plus500” or “the Company”)

Preliminary Results for the year ended 31 December 2014

Plus500, a leading online trading platform provider for retail customers to trade CFDs internationally, is pleased to announce preliminary results for the year ended 31 December 2014.

Strategy delivering record-breaking results ahead of market expectations

- Focused marketing strategy and ongoing improvement in the strength of the Plus500 brand attracted new customers – active customers exceeded 100,000 for the first time
- Effective user experience across all platforms including smartphones and tablets
- Intuitive technology platform enabled a highly efficient operation and scalability at low cost

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Financial Highlights

Highly cash generative, paying out $92m in dividends representing 90% of 2014 net profits

- Revenue increased 99% to $228.9 million (FY 2013: $115.1 million)
- EBITDA[1] increased 116% to $145.4 million (FY 2013: $67.3 million)
- EBITDA margin increased to 63.6% (FY 2013: 58.5%)
- Net profit increased 102.6% to $102.5 million (FY 2013: $50.6 million)
- Earnings per share increased 89% to $0.89 (FY 2013: $0.47)
- ARPU increased 63% to $2,160 (FY 2013: $1,325)
- Operating cash flow of $118.9 million (FY 2013: $57.1 million)
- Final dividend per share of $0.3001 (total pay-out of $34.5 million) and a special dividend per share of $0.2657 (total pay-out of $30.5 million), for a total dividend pay-out of $65 million with ex-dividend date 19 March 2015
- Total dividend for 2014 of $92 million, representing a pay-out of 90% of net profit for the 12 months ended 31 December 2014
- Dividend policy increased to a 60% pay-out ratio with flexibility to pay special dividends as appropriate

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

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Operational Highlights

Second largest CFD provider in UK with vast majority of trading in 2014 occurring in UK and Western Europe

- Another year of strong growth delivered through combination of an efficient online-focussed marketing strategy and easy-to-use trading platform
  - Active customers increased 24% to 105,976 (FY 2013: 85,795)
  - New customers increased 17% to 66,553 (FY 2013: 56,819)
- Grew to become second largest CFD provider in the UK[2]
- ARPU increased in all countries in which the Company operates
- Vast majority of trading occurred in UK and Western Europe
- 94% of total revenue derived from regulated markets, with remainder from countries where the Company operates under legal opinion
- Improved Australian CFD market position following successful launch in 2013

- Introduced 400 new financial instruments – now offer more than 2,000 in total
- Granted CFD market maker licence from the Cyprus Securities and Exchange Commission (CySEC) and built-out Cyprus operational subsidiary
- Development of Windows 8 app for PCs and launched new interface for iOS8

[2] Investment Trends report, July 2014

Gal Haber, Chief Executive of Plus500, commented: "We are delighted to announce another year of strong growth, once again achieving record levels of both revenue and profits with an increase occurring in almost all countries in which we operate. In particular, the Company saw a strong finish to the year as volatility in the financial markets resulted in greater trading on our platform.

"Looking ahead, we continue to build our brand online as well as through traditional offline channels such as sponsorship of Atlético Madrid Football Club. We are also maintaining our technological lead through innovation and development to give our customers ease of access to our platform via the PC or any mobile device. The Board believes that its marketing efforts to reach new customers will continue to give the Company momentum resulting in sustained strong growth in 2015."

Enquiries

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Overview

Plus500 is pleased to report another record-breaking year of strong revenue and profit growth in 2014. This reflects growth in all active territories with revenue increasing by 99% and ARPU increasing by more than 60% compared with 2013.

Overall, in 2014, 94% of total revenue was derived from regulated markets, with the remainder from countries where the Company operates under a legal opinion. The Company continued to gain market share in the UK with its revenue from the country increasing to 16% of overall revenue compared with 15% in 2013.

	3 months to 31 Dec*		**% Growth**	**Full Year**	**Full Year**	**% Growth**
	2013	**2014**		2013	**2014**	
Revenue	$50.4m	$66.5m	32%	$115.1m	$228.9m	99%
Number of new customers[1]	19,535	19,032	-3%	56,819	66,553	17%
Number of active customers[2]	49,834	50,550	1%	85,795	105,976	24%
ARPU[3]	$1,011	$1,315	30%	$1,325	$2,160	63%
AUAC[4]	$542	$1120	107%	$632	$921	46%

The Company is committed to maintaining its marketing spend and also creating campaigns that attract a greater number of higher value customers. As a result, AUAC increased by approximately 11% in Q4 2014 over Q3 2014 (Q3 2014 AUAC: $1,005). The Company saw the immediate benefit of this increase with an approximately 28% increase in new customers in Q4 2014 compared with Q3 2014 (Q3 2014 new customers: 14,850). In addition, the number of active customers increased by 16% in Q4 2014 over Q3 2014 (Q3 2014 active customers: 43,547), contributing to an approximately 18% increase in Q4 2014 revenues compared with Q3 2014 (Q3 2014 revenues: $56.2 million).

In 2015, the Company expects an increase in its AUAC as it continues to widen its marketing online as well as offline with initiatives such as sponsorship of Atlético Madrid Football Club to attract a greater number of higher value customers. The Company is comfortable with the increase in AUAC because the automated function of the marketing machine ensures that it will not, in aggregate, acquire customers that will not be valuable to the Company.

[1] A customer who has deposited real money into their own account for the first time
[2] A customer who makes at least one trade using real money on the trading platform during the relevant period
[3] Average revenue per user
[4] Average user acquisition cost
* Unaudited

Operational Review

The Company's primary market is offering retail clients the ability to trade CFDs in global equities, ETFs, FX, indices and commodities. The Company has increased its revenue through a combination of an efficient online-focussed customer acquisition strategy and easy-to-use trading platform.

During the year, there were a number of achievements that facilitated the Company's growth. 400 new instruments were added and the Company expanded its live chat feature to offer more native language support in the countries in which it operates, which contributed to the increase in the customer base globally. It also solidified its position as a leading Australian CFD provider after a successful launch in 2013.

During the year, the strength of the Company's proprietary trading platform, supported by in-house technical expertise, continued to allow Plus500 to react quickly to market conditions and offer customers the ability to trade CFDs immediately following events such as the initial public offerings of Alibaba and GoPro. In Q4 2014 specifically, with the increased market volatility as a result of the geo-political situation in Europe as well as the changing global macro environment, the Company experienced particularly strong growth in trading in commodities as well as equities. In 2014, there was a marked increase in volatility in financial markets driven by successive macro events, which in turn drove newsflow and customer activity. In addition, the success of the Company's proprietary automated marketing platform in improving brand awareness across multiple advertising channels enabled Plus500 to attract a greater number of high value customers. Post year end, the Company became the official sponsor of Atlético Madrid Football Club in line with its stated strategy to invest in reaching customers through numerous channels.

Risk Management Framework

Plus500's target audience is exclusively retail customers and the platform is not available to institutional traders. As a result, no single customer contributes more than 0.5% of total Company revenue. Additionally, the Company's risk management framework ensures that risk exposures are strictly limited resulting in consistent revenue generation with low volatility. Plus500's market risk framework is effective in ARPU maximisation with minimal losses. The worst and best daily revenues in 2014 were $-0.61 million and $4.4 million respectively. The average daily revenue was $0.63 million in 2014.

Post year end, on 15 January 2015, there was an exceptional movement in the value of Swiss Franc exchange rates. The Company's risk management processes focus on limiting the total gross and net exposure to any one instrument and, as a result, material exposure to Swiss Franc and other currency pairs did not arise. The Company had positive daily revenue on the day and benefitted from record numbers of new and returning retail clients attracted by the volatility of the day's trading.

Regulation

Plus500 views its ongoing FCA regulated status as one of its most important assets and the Company continues to invest in its operational and compliance infrastructure to maintain that status. As the Company has grown it has become subject to ever greater regulatory oversight in the UK and in light of this 2014 was a year of substantial investment in the UK-regulated subsidiary. The Company has been working with leading regulatory advisers to ensure its processes and systems are able to support its growth whilst maintaining regulatory compliance. Additionally, post year end, the Company has successfully made a series of senior hires into its UK office and will continue to enhance its UK operations in this regard.

To complement the Company's existing regulatory authorisations in the UK and Australia, close to year end, Plus500 was granted a CFD market maker licence from the Cyprus Securities and Exchange Commission (CySEC) to operate as a regulated investment firm. This brings the Company in line with other CFD providers that maintain multiple licences throughout Europe. The Company will continue to seek additional regulatory approvals in jurisdictions that represent attractive commercial opportunities.

Research and Development

The Company continues to invest in R&D in order to maintain its competitive advantage. Over the year, the Company has experienced an increased use of trading on mobile and tablet devices. As previously announced, the Company is working on a Windows phone app, which will enable it to reach a wider audience. The Company is also developing a next generation version for web browsers. Both of these are expected to be launched in the current quarter.

Additionally, the iOS app has been updated to be fully compatible with iOS 8, which was updated on the same day that Apple rolled out the new operating system, in a similar manner as when iOS7 was launched. The Android version has also been updated along with improvements in its usability. The Company believes that these updates also contributed to a higher ARPU.

Financial Review

2014 was a record year for Plus500. The increasing brand awareness underpinned significant growth in both revenue and profit. Revenues totalled $228.9 million (FY 2013: $115.1 million).

The SG&A expenses were higher at $83.5 million (FY 2013: $47.9 million), primarily from the increase in the sales and marketing effort to attract higher value customers. As stated previously, the Company is comfortable with this increase as the automated function of the marketing machine ensures that it will not, in aggregate, acquire customers that will not be valuable to the Company.

EBITDA in 2014 was $145.4 million (FY 2013: $67.3 million), an increase of 116%, with EBITDA margins increasing from 58% in 2013 to 63.6% in 2014. Results have benefited from the scalability of the Company's business model with the combination of revenue growth and further improvements in the operational cost structure driving the excellent performance. Net profit for 2014 increased 102.6% to $102.5 million (FY 2013: $50.6 million).

The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency. Foreign currency transactions and balances in currencies different from the US dollar are translated into the US dollar using the exchange rates prevailing on the dates of the transactions or at the balance sheet date.

In 2014, the Company recorded financial expenses arising from foreign exchange and translation differences amounting to $7.2 million arising from changes in exchange rates due to the strengthening of US dollar during 2014.

Plus500's total assets grew from $90.1 million in FY 2013 to $146.3 million in FY 2014, an increase of 62%, with cash balances increasing to $139.2 million (FY 2013: $84.1 million) and equity of $110.5 million (FY 2013: $68.0 million), representing approximately 75% of the total shareholders' equity and liabilities on the balance sheet.

Dividends

One of the strengths of Plus500's business model is its ability to convert net earnings into cash-flow. Deposits are collected in advance from customers and the outcome of customers' trading decisions is immediately reflected in their regulated segregated accounts. Company earnings from these customer trades are quickly recognised in cash on the Company's balance sheet. In addition, the Company requires relatively low levels of capital expenditure. The combination of these features is that a high proportion of net income is rapidly converted into cash. In 2014 the Company generated $141.3 million of cash from operations (FY 2013: $66.9 million) resulting in cash and cash equivalent balances of $140.2 million at 31 December 2014.

In the light of this strong cash generation, the Board has resolved to increase the base dividend pay-out ratio from 50% of retained profits to 60% pay-out ratio for this dividend and going forwards. In addition, the Board will maintain the flexibility to pay special dividends when the Company generates surplus cash and the Board feel it appropriate to make such payments. This increase in pay-out ratio is a reflection of the Board's confidence in the Company's financial prospects and the Board looks forward to generating strong returns for shareholders from an increasingly strong market position.

Following on from this change, the Board is pleased to declare a final dividend out of the Company's net profits for the year ended 31 December 2014 of $0.3001 per share (final dividend 2013: $0.1504 per share), with an ex-dividend date of 19 March 2015, a record date of 20 March 2015 and a payment date of 15 May 2015. This makes a total dividend for the year of $0.5351 per share (total dividend for 2013: $0.2204 per share). This equates to a total dividend pay-out of $61.52 million or 60% of net profit for the year, in line with the Company's revised policy.

In addition to the above, the Board has declared a special dividend of $0.2657 per share (2013: $0.1369 per share) or $30.5 million (2013: $15.7 million), resulting in a total dividend for the full year of $92 million (2013: $41 million). The ex-dividend, record and payment dates of this special dividend will be as for the final dividend noted above.

Outlook

The Company has entered 2015 with a higher number of active clients than ever before resulting from the marketing initiatives it undertook in the second half of 2014 and 2015 has started with particularly strong new customer additions. The Company also has a greater number of higher value active clients who have taken multiple positions, which is expected to continue. The Company will continue to build its brand online as well as invest through offline channels such as the sponsorship of Atlético Madrid Football Club.

Plus500 will continue to maintain its technological lead through innovation and ongoing development to give its customers ease of access to its platform via the PC or any mobile device. In 2014, the Company enjoyed great success from the launch of a Windows 8 app for PCs and native support for iOS8. In 2015, the Company plans to expand its mobile offering through the support of new devices such as the Windows Phone and Surface tablets, and hopes to achieve similar success.

The increase in the number of instruments available to trade also contributed to the growth in 2014. The Directors believe that the wide variety of instruments it offers is essential to retaining its clients and it will continue to increase the number of instruments available to trade.

The Company currently is licensed in three jurisdictions and, in line with its peers, it will continue to add new licenses across further geographies to the benefit of its customers as well as the Company.

As a result of the initiatives above, the Board believes that the Company's momentum will continue, resulting in sustained strong growth in 2015.

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of December 31,	
	2014	**2013**
	U.S. dollars in thousands	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	139,164	84,108
Short-term bank deposit	1,037	1,177
Restricted deposit	69	215
Accounts receivable	3,927	3,239
	144,197	88,739
NON-CURRENT ASSETS:		
Property, plant and equipment	1,557	244
Intangible assets	57	47
Deferred income taxes	495	1,063
	2,109	1,354
Total assets	146,306	90,093

	As of December 31,	
	2014	2013
	U.S. dollars in thousands	
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Trade payables – due to clients	5,885	5,532
Other accounts payable and accruals:		
Service supplies	7,831	6,840
Other	2,382	1,134
Income tax payable	19,579	8,573
	35,677	22,079
NON-CURRENT LIABILITIES -		
Share-based compensation	169	-
EQUITY:		
Ordinary shares	317	317
Share premium	22,220	22,220
Retained earnings	87,923	45,477
T o t a l equity	110,460	68,014
T o t a l equity and liabilities	146,306	90,093

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2014	**2013**
	U.S. dollars in thousands	
TRADING INCOME	228,865	115,088
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:		
Selling and marketing	75,170	44,322
Administrative and general	8,373	3,563
INCOME FROM OPERATIONS	145,322	67,203
Financial income	178	1,335
Financial expenses	7,381	1,373
FINANCING EXPENSES – net	7,203	38
INCOME BEFORE TAXES ON INCOME	138,119	67,165
TAXES ON INCOME	35,667	16,532
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD	102,452	50,633
	In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	0.89	0.47

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Retained earnings	Total
	U.S. dollars in thousands			
BALANCE AT JANUARY 1, 2013	6	287	11,654	11,947
Profit and comprehensive income for the year			50,633	50,633
TRANSACTION WITH SHAREHOLDERS -				
Dividend			(16,810)	(16,810)
Shares issued (net) of issuance cost	40	22,204		22,244
Bonus Shares issued	271	(271)		
BALANCE AT DECEMBER 31, 2013	317	22,220	45,477	68,014
Profit and comprehensive income for the year			102,452	102,452
TRANSACTION WITH SHAREHOLDERS -				
Dividend			(60,006)	(60,006)
BALANCE AT DECEMBER 31, 2014	317	22,220	87,923	110,460

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2014	**2013**
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	141,081	66,890
Income tax paid – net	(22,407)	(9,894)
Interest received	178	101
Net cash provided by operating activities	118,852	57,097
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits withdrawals	138	-
Purchase of property, plant and equipment	(1,419)	(75)
Purchase of intangible assets	(24)	(17)
Net cash used in investing activities	(1,305)	(92)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid	(60,006)	(16,810)
Proceeds from share issuance, net of $ 4,600 thousands issuances cost	-	21,074
Net cash provided by (used in) financing activities	(60,006)	4,264
INCREASE IN CASH AND CASH EQUIVALENTS	57,541	61,269
Balance of cash and cash equivalents at beginning of year	84,108	22,486
Losses from exchange differences on cash and cash equivalents	(2,485)	353
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	139,164	84,108

Plus500 Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	Year ended December 31, 2014	Year ended December 31, 2013
	U.S. dollars in thousands	
Cash generated from operations -		
Net income for the period	102,452	50,633
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortization	120	82
Taxes on income	35,667	16,532
Interest and foreign exchange gains on operating activities	621	(590)
Losses (Gains) on revaluation of deposits	148	(63)
	36,556	15,961
Operating changes in working capital:		
Increase in accounts receivable	(688)	(2,345)
Increase (Decrease) in trade payables due to clients	353	(560)
Increase in other accounts payable:		
Service supplies	991	3,643
Other	1,248	312
Liability for Share-based compensation	169	(754)
	2,073	296
Cash flows from operating activities	141,081	66,890

Plus500 Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Plus500 Ltd. (hereafter – the Company) 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 thousands). Subsequent to the IPO the number of shares is 114,888,377. The share issue costs amounted to $ 4,600 thousands.

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 thousands).

Plus500UK (hereafter – UK subsidiary) is subsidiary of the Company located in UK, and regulated by the Financial Conduct Authority (FCA).

Plus500AU (hereafter – AU subsidiary) is subsidiary of the Company located in Australia. Plus500AU has an Australian Securities and Investments Commission ("ASIC") license.

In June 2014, the Company established a new subsidiary in Cyprus (hereafter – CY Subsidiary) in order to obtain a Cyprus Securities and Exchange Commission ("CYSEC") license.

The company and its subsidiaries (hereafter – the Group) are engaged in one operation segment CFD trading.

The address of the Company's principal offices is Building 25, Matam, Haifa 31905, Israel.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation:

The Group's financial information as of December 31, 2014 and 2013 and for each of the two years for the period ended December 31, 2014, is 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 has 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:

The Company controls the Subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them.

1) The consolidated financial information includes 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 Subsidiaries 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: CFD trading.

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 statements are presented in U.S. dollars ("USD"), which is the company and its subsidiaries' functional and presentation currency.

2) Transactions and balances

Foreign currency transactions in currencies different from the functional currency (hereafter – foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.
Gains and losses arising from changes in exchange rates are presented in the statement of comprehensive income among "financial income (expenses)".

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 are 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 (see 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.

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. A 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 2k) 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' and '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.

4) Impairment of financial assets

Financial assets are carried at amortized cost.

The Group assesses at 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 UK, AU and CY subsidiaries hold money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA), Australian Securities and Investments Commission (ASIC) and Cyprus Securities and Exchange Commission (CYSEC), respectively. Such monies are classified as ‘segregated client funds’ in accordance with the regulatory requirements. Segregated client funds comprise retail client funds held 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 reflected as company's assets in the consolidated statements of financial position.

i. Share Capital

Ordinary shares of the Company are classified as equity.

All share and per share amounts included in the consolidated financial statements have been adjusted retroactively to reflect the effects of the issuance of bonus share .

j. 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.

k. 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 profits 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.

l. Share-based payment

The Group operates a cash- settled share-based payment plan until 2016, under which the Group received services from employees as consideration for rights. The fair value of the employee services received in exchange for the grant of the rights was recognized as an expense in profit or loss. The total amount to be expensed was determined by reference to the fair value of the rights granted.

m. Employee benefits and 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.

n. 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 (including commission) and losses 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 included 'selling and marketing' expenses and disclosed separately in Note 11a.

o. Dividends

Dividend distribution 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.

p. 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 the Subsidiaries 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.

q. 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 and 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 subsidiaries, 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.

r. 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.

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

1. New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

   a) IAS 32 – "Financial instruments: presentation"' (hereafter – IAS 32).

IAS 32, 'financial instruments: presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for aa counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

2. New and amended standards not yet adopted by the Group for reporting periods starting January 1, 2014:

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

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group estimates that there will be no impact in the application of IFRS 9.

NOTE 3 - SHARE CAPITAL

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

	Number of shares	
	31 December	
	2014	2013
Authorized	300,000,000	300,000,000
Issued and fully paid*	114,888,377	114,888,377

* 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 thousands). 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 2013 and 2014 declared and distributed by the Company's Board of Directors:

Date of declaration	Amount of dividend in thousands of $
March 18, 2013	4,874
June 19, 2013	3,894
August 22, 2013	8,042
18 February 2014	33,007
August 12, 2014	26,999

The dividend paid in 2014 and 2013 amounted to $ 60,006 thousands ($ 0.52 per share) and $ 16,810 thousands ($ 0.16 per share), respectively (in 2013, the computed based on the weighted average number of ordinary shares in issue –see note 4).

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	
	2014	**2013**
Profit attributable to equity holders of the Company (In U.S dollars)	102,452,000	50,633,000
Weighted average number of ordinary shares in issue	114,888,377	106,730,204

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 thousands (about $ 25,000 thousands). Subsequent to the IPO the number of shares is 114,888,377.


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