

Plus500 Limited

# ANNUAL REPORT AND ACCOUNTS 2014



**Plus500**  
World's Trading Machine

[www.plus500.com](http://www.plus500.com)

# ABOUT Plus500

Plus500 Ltd (the “Company”) is a fast growing online provider of Contracts for Difference (“CFDs”). Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 2,000 different underlying global financial instruments comprising equities, exchange-traded funds (“ETFs”), foreign exchange, indices and commodities. The Company enables retail customers to trade CFDs in more than 50 countries and in over 31 languages. The trading platform is accessible from multiple operating systems (Windows PCs, web browsers, smartphones & tablets (iOS, Android and Windows Mobile)).





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# 2014 Annual Report

## **OVERVIEW**



# 2014 HIGHLIGHTS

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## FINANCIAL HIGHLIGHTS

- Revenue increased 99% to \$228.9 million (2013: \$115.1 million)
- EBITDA<sup>1</sup> increased 116% to \$145.4 million (2013: \$67.3 million)
- EBITDA margin increased to 63.6% (2013: 58.5%)
- Net profit increased 102.6% to \$102.5 million (2013: \$50.6 million)
- Earnings per share increased 89% to \$0.89 (2013: \$0.47)
- Average Revenue Per User (ARPU) increased 63% to \$2,160 (2013: \$1,325)
- Operating cash flow of \$118.9 million (2013: \$57.1 million)
- 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

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**\$228.9m** Revenue  
2013: \$115.1m

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<sup>1</sup> EBITDA - Earnings before interest and taxes and depreciation and amortization

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## OPERATIONAL HIGHLIGHTS

- Another year of strong growth delivered through combination of an efficient online-focussed marketing strategy and easy-to-use trading platform
    - \* Active customers<sup>2</sup> increased 24% to 105,976 (2013: 85,795)
    - \* New customers<sup>3</sup> increased 17% to 66,553 (2013: 56,819)
  - Grew to become second largest CFD provider in the UK<sup>4</sup>
  - 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 a new Windows Phone and Surface apps
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**\$145.4m** EBITDA  
2013: \$67.3 m

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<sup>2</sup> Active Customers: Customers who made at least one real money trade during the period

<sup>3</sup> New Customers: Customers depositing for the first time ever during the period

<sup>4</sup> Investment Trends' report, July 2014



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# Chairman's Statement

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The results for 2014 are the first full year's performance since Plus500 listed on AIM in July 2013 and they demonstrate what a significant presence the Company has become in the CFD market in a short space of time. Investment Trends' report published in early 2015 shows that Plus500 is now the second largest CFD provider in the UK. The full year results show that it is not only in the UK that the Company has grown, but also in the majority of the 50 countries we operate in. I am pleased to report that the Company's focused strategy has delivered strong results that were ahead of market expectations.

The strength of Plus500 lies in the fact that it provides CFDs for retail clients only and it does so via an automated online trading platform. It operates in over 31 languages and specialises in making the user experience "local" for each geography. Our strategy is to concentrate on the CFD market, increasing the number and quality of the instruments on offer and to continue to develop the strong marketing and

trading machines that retain existing customers and attract new ones through timely, focused advertising and easy to use platforms on a wide range of modern technological devices.

Through the year, we saw the influence that market volatility has on the performance of the Company and the industry. In Q2, when markets were less volatile, understandably our clients were not as active. At this time, the Company did not rest on its laurels, but invested heavily in marketing to attract higher value retail clients. These clients that hold more than one position in various instruments, hold larger positions and trade more often. The results in Q3 and Q4 clearly demonstrate the success of this shift in marketing strategy. The Company's proprietary technology ensured that the margins and profitability were maintained.

The Company also bolstered its corporate governance in 2014 as it invested substantially in its UK regulated subsidiary, which holds the Company's FCA licence. The Company has been working with leading regulatory advisers to ensure its processes and systems are able to support the Company's operational growth whilst maintaining regulatory compliance. We see our regulatory environment as very important to the continuing success of Plus500. In addition, post finance year end, in early 2015, the Company made a series of senior hires in the UK office and looks forward to continuing to enhance its UK operations.

Towards the end of the year, we announced the appointment to our Board, of Paul Boyle, OBE. He brings a wealth of experience of financial management in blue-chip companies as well as in high-profile public positions at the Financial

Reporting Council and Financial Services Authority. He joins Charles Fairbairn, Daniel King and myself as UK-based non-executives of the Company.

I would like to take this opportunity to thank our shareholders for their support and I would also like to thank our dedicated staff. Our employees may be few in number but through the technology, the marketing platform and the easy user interface they continue to develop, they have made this Company a driving force in the CFD industry. 2015 has begun well and we look forward to continuing the momentum achieved in 2014 and to delivering value for shareholders.

Alastair Gordon  
Chairman  
16 March 2015

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# Chief Executive Officer's Review

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## Overview

2014 was another record breaking year of strong revenue and profit growth. Plus500 has executed its strategy which helped deliver strong growth coupled with a high dividend yield. We have increased our market share in all jurisdictions in which we operate by attracting a large number of New Customers, while also retaining the majority of our existing Active Customers who continually use our proprietary, easy to use and robust CFD trading platform.

The large growth in customers directly contributed to significant growth in revenues, EBITDA and all other significant KPIs. These include:

- Revenue increased 99% to \$228.9 million (2013: \$115.1 million)
- EBITDA increased 116% to \$145.4 million (2013: \$67.3 million)
- EBITDA margin increased to 63.6% (2013: 58.5%)
- Net profit increased 102.6% to \$102.5 million (2013: \$50.6 million)
- Earnings per share increased 89% to \$0.89 (2013: \$0.47)
- Operating cash flow of \$118.9 million (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
- Number of Active Customers: 105,976 (2013: 85,795)
- Number of New Customers: 66,553 (2013: 56,819)
- Average Revenue per User (ARPU): \$2160 (2013: \$1,325)
- Average User Acquisition Cost (AUAC): \$921 (2013: \$632)

Our CFD product portfolio has also increased in 2014 by over 400 new instruments, bringing our total to more than 2,000 instruments, allowing our customers to access a wide breadth of investment alternatives.

## Growth and Development

Plus500 offers an international CFD trading platform for retail customers only. The Company has developed its own in-house proprietary product which is now available for Windows PCs, web browsers, smartphones & tablets (iOS, Android and Windows Mobile). The software has evolved to allow customers to trade CFDs in an easy and cost effective manner spread across CFDs on single stocks from the world markets, ETFs, indices, commodities and foreign exchange pairs. 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. The Company is also developing a next generation version for web browsers, which is expected to be launched in the current quarter.

The Company has also developed its proprietary online marketing technology, dubbed the “Marketing Machine” internally, which allows Plus500 to effectively bid on millions of key words in search engines (such as Google, Bing, Yahoo!) and acquire new customers in a cost effective manner. With continual optimisation of the marketing return on investment, we see it as a strong driver for taking further market share in the future. We have also increased our social media exposure and our affiliate program. Although the Company focuses on online marketing, we have also stepped up our offline efforts with a sponsorship agreement that was signed with the successful Spanish football team Atlético Madrid, and a live-action ad which aired mostly on pan-European channels such as Eurosport during Grand Slam tennis tournaments.

The Company has maintained its lean cost structure which in turn allows most expenses to be concentrated on our marketing efforts and allow for an attractive price model to our customers. 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. Plus500 has also received a licence from CySEC (“Cyprus Security and Exchange Commission”) to operate in Cyprus as is common practice.

## Sponsorship

Plus500 was honored to announce a new business partnership with Liga BBVA champions, Atlético Madrid. Atlético Madrid is one of the most successful clubs in Europe, including winning the UEFA Super Cup in 2010 and 2012, and coming second in the 2013/14 UEFA Champions League. Both Plus500 and Atlético Madrid share a passion for being leaders in their sector. This relationship will allow Plus500 to increase its brand awareness and expand its customer base globally.

## Markets

Plus500 focuses its efforts primarily in its existing markets which comprise of over 50 key countries. Our software is localised in over 31 languages providing customers a platform in their native language. The Company’s current core market is Europe where the vast majority of its revenues are achieved, with the UK being its largest jurisdiction with more than 16% of its total revenues in 2014. Due to our low cost structure and highly measurable online marketing efforts, Plus500 can attract customers from countries with a lower GDP as well and maintain its high profitability margins while also targeting the more high value customers.

## Current Trading and Outlook

Plus500 had an exceptional 2014 with results significantly exceeding initial expectations. In the light of Plus500’s strong cash generation, the Board has resolved to increase the base dividend pay-out ratio from 50% of retained profits to 60%.

In addition, the Board will maintain the flexibility to pay special dividends if the Board concludes that the Company has surplus cash after taking into account the funds needed to finance future growth opportunities and meet regulatory requirements.

The new financial year has started strongly and we have seen customer trading run rates increasing along with the other KPIs. We will continue to invest in building our presence in current core markets, including the UK, EU and Australia, and to explore opportunities for expansion into new geographies.

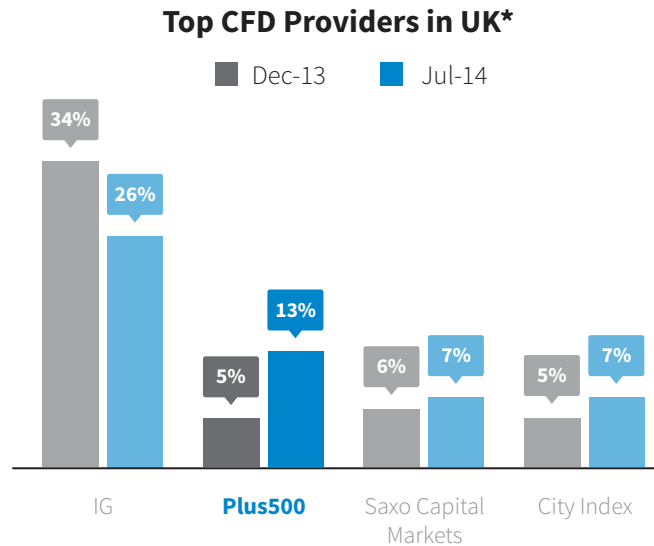
Against a challenging economic climate, our performance is a reflection of the efforts, resourcefulness and innovation of our employees to meet our objectives. I would like to thank them for this and their enthusiasm that makes me confident about our future.

With the progress made in 2014, and in view of the strong start to 2015, the Board remains confident of delivering further growth in 2015 and beyond.

Gal Haber  
Chief Executive Officer  
16 March 2015

# Our Strategic Objectives

## Maintaining our market position as a leading CFD provider



\*By number of primary relationships. Investment Trends 2014 UK Leveraged Trading report  
<http://www.investmenttrends.com.au/>

### 2014 Achievements

- Increased our leading position in CFDs, with over 105,000 active trading clients in 2014
- Increased our Australian CFD market position
- Successfully launched a dedicated app for Windows Phones, Surface tablets, Windows 8 and iOS 8
- Increased profitability margins
- Added over 400 new financial instruments
- Acquired new licence in Europe (CySEC)

### Future Goals

- Launching new financial instruments
- Launching new platforms
- Penetrate new geographies
- Continue to increase ARPU and ROI
- Strengthening the international brand through marketing initiatives and sponsorship with Atlético Madrid FC

## Continue to provide high quality Client Service

### 2014 Achievements

- Extended live chat services to include new native language support worldwide.
- Introduced 400 new financial instruments

### Future Goals

- To develop additional support tools for clients and optimise the existing ones
- To maintain a loyal trading community and continue to provide excellent client service that will be available 24/7
- Improve customer service response time

## Extension to new geographies

### 2014 Achievements

- Launching Plus500CY in Cyprus

### Future Goals

- Continue exploring new jurisdictions (Asia and the Middle East)

## Innovative and leading trading platform

### 2014 Achievements

- Development of dedicated Windows app for Windows 8, Windows Phones, Surface tablets and iOS 8
- Ongoing IT development

### Future Goals

- Launching new financial instruments

## Maintaining the Company's profitability margins

### 2014 Achievements

- Improvement of the EBITDA margins to a level of more than 63%

### Future Goals

- Additional growth alongside keeping high margin profits

## Growing the customer base

### 2014 Achievements

- The Active Customer base increased above 105,000
- Attracted over 66,000 new customers
- Marketing campaigns, including a sponsorship agreement with Atlético Madrid FC, assist in raising awareness of the Plus500 brand

### Future Goals

- Continue marketing the brand in innovative, cost effective ways to increase awareness and attract new high value customers

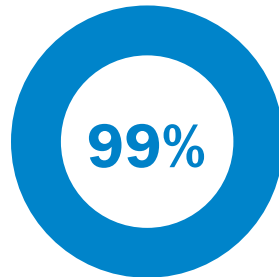




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# Financial Review

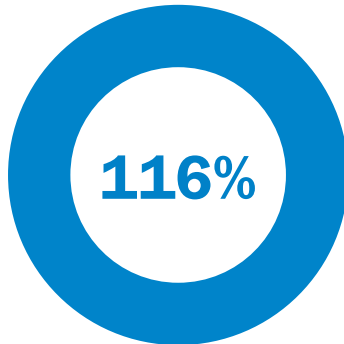
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◀ Increase in Revenue

**\$228.9m**

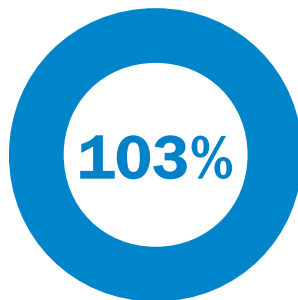
Revenue  
2013: \$115.1m



◀ Increase in EBITDA

**\$145.4m**

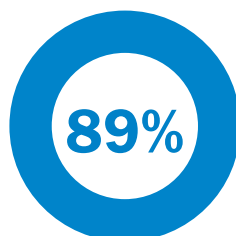
EBITDA  
2013: \$67.3 m



◀ Increase in Net Profit

**\$102.5m**

Net Profit  
2013: \$50.6m



◀ Increase in EPS

**\$0.89**

EPS  
2013: \$0.47

## Financial Review

An overview of the Company's financial performance is provided in the Chief Executive's Review on page 10.

The following section provides a more detailed analysis of the Company's financial performance for the year ended 31 December 2014, including a discussion of the KPIs used to monitor and control its business.

The Company generates its revenues principally from the dealing spreads on the Trading Platform. In addition, the Company generates revenues from overnight premiums, effectively a financing charge, on certain positions held by customers overnight and gains (offset by losses) on customers' trading positions. The Company does not charge customers a commission on trades. 2014 was a record year for Plus500. Revenue increased 99% to \$228.9 million (2013: \$115.1 million).

ARPU increased 63% to \$2,160 (2013: \$1,325) driven by several factors including:  
i) increased brand awareness attracting higher value customers and increasing average deposit sizes, ii) the addition of new financial instruments, such as Bitcoin and Litecoin; and iii) the occurrence of several high profile IPOs.

The SG&A expenses were higher at \$83.5 million (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.

Despite significant investment in marketing of \$61.3 million (2013: \$35.9 million) in 2014, the Company still achieved an EBITDA margin of 63.6% (2013: 58.5%) due to the automation and improved knowledge of the Company's proprietary Marketing Machine. The stability of the Company has been supported by maintaining

a flexible cost structure. The high degree of operating leverage within the business, driven by the efficiency and automation of the Trading Platform, enables the Company to generate a higher average revenue per employee whilst maintaining a relatively lower average cost per employee, compared with its peers. In addition, EBITDA increased 116% to \$145.4 million (2013: \$67.3 million).

Cash generated from operations was \$141.1 million (2013: \$66.9 million), an increase of 111%.

The Company's net profit increased 102.6% to \$102.5 million (2013: \$50.6 million), and earnings per share increased 89% to \$0.89 (2013: \$0.47).

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

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%. In addition, the Board will maintain the flexibility to pay special dividends if the Board concludes that the Company has surplus cash after taking into account the funds needed to finance future growth opportunities and meet regulatory requirements.

Following on from this change, the Board has declared 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 final dividend for 2013: \$0.2204 per share). This equates to a total final 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 or \$30.5 million, resulting in a total dividend (which includes the final dividend and special dividend) for 2014 of \$92 million, representing a pay-out of 90% of net profit for the 12 months ended 31 December 2014. The ex-dividend, record and payment dates of this special dividend will be as for the final dividend noted above.

The table below shows the consolidated audited results of the Company for the three financial years ended 31 December 2014:

	<b>2012 (\$'000)</b>	<b>2013 (\$'000)</b>	<b>2014 (\$'000)</b>
Revenue	56,127	115,088	228,865
EBITDA	23,168	67,285	145,442
Profit before Tax	23,073	67,165	138,119
Net Assets	11,947	68,014	110,460

The table below shows the consolidated audited cash flow of the Company for the three financial years ended 31 December 2014:

	<b>2012 (\$'000)</b>	<b>2013 (\$'000)</b>	<b>2014 (\$'000)</b>
Net cash provided by operating activities	19,861	57,097	118,852
Net cash used in investing activities	-178	-92	-1,305
Net cash provided by (used in) financing	-14,575	4,264	-60,006

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# Sponsorships

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In December 2014 Plus500 announced a business partnership via a sponsorship agreement with Liga BBVA champions, Club Atlético de Madrid, SAD.

Club Atlético de Madrid FC is a natural fit for Plus500 as Europe is Plus500's largest market for customers, and the two entities share a clear passion for striving for success whilst having an ethos of transparency and respect for our customers, fans, partners and employees. Club Atlético de Madrid is one of the most successful clubs in Europe that plays in one of the most popular leagues in the world and our partnership will assist Plus500 in furthering its strategy of increasing its brand recognition and expanding its customer base globally.







# DIRECTORS **AND GOVERNANCE**





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# Board of Directors

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## Alastair Gordon, Non-Executive Director and Chairman, 64

Alastair Gordon is a non-executive Director and Chairman of the Company. Mr. Gordon has over 15 years' experience in global information management, software and e-commerce.

Mr. Gordon spent 12 years at SDL plc, a provider of global information management and software services, where he served as chief financial officer from 1998 to 2008 and executive director from 1998 to 2010. He played a leading role in the company's initial public offering and helped to grow the business, both organically and by acquisition, to become a FTSE350 company. Mr. Gordon retired as the chief financial officer in 2008 but remained on the Board for a further two years as an executive director.

Prior to working at SDL plc, Mr. Gordon spent 10 years at Berisford International plc, where he held

a number of divisional and group financial roles, including chief financial officer of the company's US operations.

Prior to working at Berisford International plc, Mr. Gordon spent 13 years at Arthur Andersen LLP, where he was a senior audit manager specialising in small and medium sized businesses and venture capital. Mr. Gordon served as senior independent non-executive director of Active Risk Group plc (formerly Strategic Thought Group plc), an enterprise risk management technology company, from 2008 to 2013. He also served as a non-executive director of Alterian plc, a marketing analysis software business, from 2010 until 2012. Mr. Gordon is a Qualified Chartered Accountant and is a member of the ICAEW.

## Charles Fairbairn, Senior Non-Executive Director and Outside Director, 53

Charles Fairbairn is a non-executive Director, the senior independent director and chairman of the Audit Committee. Mr. Fairbairn has held similar positions for a number of AIM companies over the past 14 years including Research Now Ltd, the online research company of which he was a founder investor, Statpro Group plc, providing analytics for asset managers, and Brightview plc, an internet service provider.

Mr. Fairbairn graduated from Durham University with a BA (Hons) in Economics in 1983 and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London in 1986. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc in 1990 as group accountant, group

chief accountant and latterly finance director of Pearson New Entertainment, a start-up division. Over the following 15 years, since leaving Pearson New Entertainment in 1998, he has held a number of positions as finance director, executive and non-executive director of a portfolio of companies, helping to develop and scale growth companies from start-ups into global companies. Mr. Fairbairn is an active investor in growth companies and reviews new business and turnaround opportunities, exposing him to a multitude of sectors and business models. He also holds an investment management certificate.

## **Paul Boyle, OBE, Non-Executive Director, 55**

Towards the end of the year, the Company announced appointment to the Board, of Paul Boyle, OBE. Paul Boyle is a non-executive Director of the Company. Mr. Boyle is a Scottish Chartered Accountant with extensive experience of financial management in blue-chip companies as well as in high-profile public positions.

He is currently Chief Audit Officer at Aviva plc, a position that he has held for the last four years, and, in August 2012, was appointed to Aviva plc's Executive Committee. Prior to this, Mr. Boyle was Chief Executive of the Financial Reporting Council (FRC), the UK's independent regulator responsible for promoting high quality corporate governance and reporting.

Mr. Boyle joined the FRC from the Financial Services Authority (FSA) where he held a number of positions, including Chief Operating Officer from June 2000 to May 2004. He was also a member of the chairman's committee and

attended meetings of the Board of Directors of the FSA.

Prior to joining the FSA, Mr. Boyle held a number of senior financial management roles in several blue-chip companies including WH Smith plc and Cadbury Schweppes plc.

He began his career as a chartered accountant at Coopers & Lybrand.

Mr. Boyle has sat on several public advisory boards, and is currently a Member of the HM Government Internal Audit Quality Oversight Committee and the Council of the Chartered Institute of Internal Auditors. He was joint author of Making Corporate Reports Valuable and Future Shape of Financial Reports. He was awarded an OBE in the 2010 New Year Honours and Fellowship of the Institute of Internal Auditors (UK) in 2014.

## **Daniel King, Non-Executive Director and Outside Director, 49**

Daniel King is a non-executive Director and chairman of the Remuneration Committee and Nomination Committee. Mr. King has over 18 years' experience in e-commerce technologies, data and analytics, digital and online media and has extensive knowledge in developing and scaling high-growth companies.

Mr. King sits on the Board of several companies in the e-commerce and online space. He is currently working for UK Trade & Investment as Head of High Growth & Emerging Markets, working with companies and individual investors looking to set up their businesses or investment in the UK. Mr King was previously managing partner of Blue Leaf Capital, a private boutique venture capital and advisory services company based in London. Prior to this Mr. King was managing director of Compete, Inc, a Kantar Media/WPP

company where he oversaw the launch of the UK and France businesses. Prior to that he was chief commercial officer for MySupermarket.co.uk where he oversaw all operations for the consumer website. Prior to joining MySupermarket, Mr. King was managing director of Experian Hitwise, overseeing the company's European operations and was a key member of staff that led to the eventual acquisition of Hitwise by Experian in June 2007.

Mr. King is a mentor and judge on London Business School's MBA Entrepreneurship Programme, and is also an advisor and mentor with technology incubator Seedcamp, ([www.seedcamp.com](http://www.seedcamp.com)) a programme aimed at bringing together next generation start-ups with entrepreneurs, business executives and venture capitalists.

## **Gal Haber, Chief Executive Officer and Director, 40**

Gal Haber has nearly 15 years' experience in software programming and business development. One of the Company's founders, he currently holds the position of the Company's Chief Executive Officer and is responsible for the day-to-day running of operations. In particular, he has led the design of the user-friendly Trading Platform, which represents one of the key

competitive advantages for the business. Mr. Haber holds a B.Sc. in Computer Science from the Technion, Israel. Before founding Plus500, Mr. Haber served as chief operating officer of InterLogic Ltd, a 'skilled games' programme provider for the internet, and mobile devices, which he co-founded in 2004.

## **Alon Gonen, Managing Director and Director, 38**

Alon Gonen is one of the Company's founders and has played an integral part in the development of the Company to date. He is responsible for financial risk limitation and the strategic development of the Company. Mr. Gonen holds a B.Sc. in Electrical Engineering from the Technion, Israel, and has been involved in commercial

software development for over 14 years. Prior to founding Plus500, Mr. Gonen co-founded InterLogic, where he held the position of the chief executive officer and was responsible for the development of mass market 'skilled games' across the internet and mobile platforms.

## **Inbal Marom, Chief Financial Officer and Director, 35**

Inbal Marom is the chief financial officer of Plus500 having joined the Company in 2009. Ms. Marom's responsibilities cover a broad range of finance functions including managing finance departments, transaction reporting, fulfilling the corporation obligation with regard to the Anti-Money Laundering Authority in Israel, all financial reporting in Israel and liaison with key external advisers.

Prior to joining Plus500, Ms. Marom worked at Carestream, a medical systems manufacturer, as an accountant assistant. Prior to working at Carestream, Ms. Marom was a senior auditor at Deloitte Brightman Almagor, handling a variety of client accounts for quoted companies listed in USA, Israel and Europe. Ms. Marom holds a B.A. in Economics & Accounting from Haifa University and is a certified accountant in Israel.

## **Elad Even-Chen, Finance Director, Vice-President Business Development, Company Secretary and Head of Investor Relations, 29**

Elad Even-Chen is responsible for the financial aspects of Plus500's company strategy and global business development projects, working particularly on the Company strategic goals and its international operations. Mr. Even-Chen is also the head of investor relations for the Company and the Company Secretary.

Mr. Even-Chen is a certified accountant in Israel and, prior to joining Plus500, he was a senior associate at KPMG, specialising in commerce and real estate audit. Mr. Even-Chen holds a B.A. in Accounting and Economics from Tel-Aviv University, a LL.B Degree from the College of Management and an MBA (specialising in Financial Management) from Tel-Aviv University.

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# Directors' Report

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Plus500 Ltd was incorporated and registered in the State of Israel with registered number 514142140.

## Activities

Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 2,000 different underlying global financial instruments comprising equities, ETFs, foreign exchange, indices and commodities.

The Company enables retail customers to trade CFDs in more than 50 countries. The Trading Platform is accessible from multiple operating systems (Windows PCs, web browsers, smartphones & tablets (iOS, Android and Windows Mobile)).

The Company generates its revenues principally from the dealing spreads on the Trading Platform. Additionally, the Company generates revenues from overnight premiums, effectively a financing charge, on certain positions held by customers overnight and gains (offset by losses) on customers' trading positions. The Company does not charge customers a commission on trades.

The Trading Platform has been designed to be as intuitive and easy to use as possible. The Directors believe that the success of the Company to date has been primarily due to its self-developed, proprietary technology and continues to expand the capabilities of the Trading Platform. The Trading Platform has been localised into over 31 languages. The Directors believe that this emphasis on technology, together with the Company's targeted online marketing strategy, has helped to differentiate the Company from its competitors.

The Company currently conducts operations in the European Economic Area (EEA), Gibraltar, Australia and certain other jurisdictions across Asia, the Middle East and elsewhere. The Company has three subsidiaries which have been granted licences by regulators.

In June 2010, the Company's UK subsidiary, Plus500UK, received authorisation from the Financial Conduct Authority (FCA) which regulates its operations in the United Kingdom. Plus500UK also operates in other EEA countries and Gibraltar through a regulatory passporting mechanism.

In October 2012, the Company's Australian subsidiary, Plus500AU, received the Australian Securities and Investments Commission (ASIC) licence which enables it to conduct a financial services business in Australia.

In October 2014, the Company's subsidiary in Cyprus, Plus500CY, received the Cyprus Securities and Exchange Commission (CySEC) licence which enables it to conduct financial services in Cyprus. Plus500CY also operates in other EEA countries and Gibraltar through a regulatory passporting mechanism.

## Business Review

For the operating and financial review of the business during the year please refer to the Chief Executive Officer's Review on pages 10 to 11 and the Financial Review on page 14 to 16 included within the Annual Report. For future developments please refer to the outlook section on the Chief Executive Officer's review on page 11.

## Financial

The 2014 financial year was a record year for Plus500. Revenues totaled \$228.9 million (2013: \$115.1 million), representing 99% growth compared to 2013. Particularly pleasing was the growing number of Active Customers and growth in ARPU, up 63% to \$2,160 (2013: \$1,325). EBITDA in 2014 was \$145.4 million (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. The 2014 Net Profit After Tax was \$102.5 million (2013: \$50.6 million), an increase of 102.6%.

## Dividend Policy

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%. In addition, the Board will maintain the flexibility to pay special dividends if the Board concludes that the Company has surplus cash after taking into account the funds needed to finance future growth opportunities and meet regulatory requirements.

Following on from this change, the Board has declared a final dividend out of the Company's net profits for the year ended 31 December 2014 of \$0.3001 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. 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 or \$30.5 million, resulting in a total dividend for the full year of \$92 million. The ex-dividend, record and payment dates of this special dividend will be as for the final dividend noted above.

## Key Performance Indicators (KPIs)

KPIs, which are set at Group level, as defined below, have been devised to allow the Board and shareholders to monitor the Company and its subsidiaries (the "Group") as a whole, as well as the operating businesses within the Group. The Company has financial KPIs that it monitors on a regular basis at Board level and where relevant at divisional management meetings as follows:

- Number of Active Customers: 105,976 (2013: 85,795)
- Number of New Customers: 66,553 (2013: 56,819)
- Average Revenue per User (ARPU): \$2,160 (2013: \$1,325)
- Average User Acquisition Cost (AUAC): \$921 (2013: \$632)

## Research and Development

The Company's trading platform, which acts as a key differentiator and competitive advantage against its peers, has been specifically 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 Company pays no external licence fees for its core trading platform technology. This allows the Company 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 Company with a significant competitive advantage.

The development of the trading platform continues to evolve in order to meet the growing demands of Plus500's active customer base. For example, following the launch of iOS 8, the

Company immediately released a new interface for users. Plus500 is constantly updating and introducing new financial instruments.

The industry-wide trend for trading CFDs on smartphones and tablets continued to gather pace in 2014. 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 its competitors. The Company's web trading platform has been updated with the removal of Flash components for usage of HTML5 and Java Script exclusively. This enables 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.

### **Supplier Policy of the Company**

Company creditors relate mainly to costs associated with marketing, financial information and payment processing services. Due to the nature of these creditors, the Company does not have a specific supplier payment policy. Average creditors days for the year ended 31 December 2014 is 30 days (2013: 30 days).

### **Employees**

Plus500 is committed to the creation of a work environment in which fairness, trust and individual responsibility are valued. We believe that talented and dedicated employees are our most valuable asset and that everyone should be given an equal opportunity to succeed.

The Company is committed to equal opportunity in employment and to creating, managing and valuing diversity in its workforce.

The Company has an equal opportunities policy with respect to hiring, promotion, compensation, training and assignment of responsibilities, termination, or any other aspect of the employment relationship on the basis of race, colour, national origin, religion, sex, age, sexual orientation, marital status, physical or mental disability.

### **Environment**

Plus500 is continuously striving to increase sustainability efforts and has developed a thorough company-wide action plan targeted at conservation of resources. Its efforts include energy- saving technology integration, responsible product design, resource conservation, recycling with responsible end of life electronics management and green information technology practices.

### **Social**

Plus500 is committed to operating responsibly in all aspects of its business, including enriching the communities where it operates and creating an inclusive, safe and healthy workplace. Plus500 knows that mobile technology is a great way to bring people together and build communities and that is why at the core of its Corporate and Social Responsibility ("CSR") efforts it uses the same expertise, technology and partnerships it uses in working with its customers. Plus500 believes that CSR is both its responsibility and an essential part of good management. As Plus500 navigates through its growth transition, it remains committed to integrating CSR initiatives into its business, not only to enrich and contribute to the lives of the communities in which it works and lives, but also to create tangible value for its employees, customers, and shareholders.

### **Principal Risks and Uncertainties**

Management and control of risks within the Company is embedded within day to day operating procedures. The Company has developed a comprehensive risk mitigation plan to ensure minimum exposure and secure solutions. These procedures comprise a range of measures including corporate policies, operating rules, systematic reporting, external audits, self-assessment and continuous monitoring by the Board and the executive management team.

The Company operates globally in varied markets and the principal risks and uncertainties have been reviewed by the Board together with agreed mitigating actions. The most significant risks and uncertainties and mitigation actions are outlined in Note 3 on pages 55 to 58 and on pages 41 to 56 of the Company's Admission Document, dated



24 July 2013, a copy of which is available on the Company's website at <http://www.plus500.com/Docs/Plus500UK/AdmissionDocument.pdf>.

## Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the Company's approach to capital management during the year.

## Share Capital

At the close of business on 16 March 2015, the Company had 114,888,377 ordinary shares in issue, of which none were held in treasury. The Company does not currently have any share schemes.

## Summary

In the last 12 months Plus500 has made strong

progress in further market penetration in all countries where it operates. Its pace of New Customer acquisition has accelerated during the year.

Plus500 believes it has in place the product, back office, online marketing tools and employees to allow it to grow organically in all current jurisdictions.

Plus500 is delighted to be reporting a strong performance in its second annual report as a public company and believe it is well positioned to make further progress towards its aim of being one of the market leaders in the global retail online CFD sector.

## Substantial Shareholdings

As of 16 March 2015, based on information reported to the Company by shareholders, the Company had the following shareholders with direct or indirect interest of 3% or more of the issued and outstanding share capital of the Company (as of 28 February 2015):

Significant Shareholders		% of Ownership of Shares
1	Sparta24 Ltd. <sup>5</sup>	16.66%
2	Odey Asset Management LLP (including Odey CFD Holding)	13.58%
3	Deutsche Bank as principal	7.29%
4	Newton Investment Management	6.4%
5	Wavesoft Ltd. <sup>6</sup>	5.9%
6	Smarty Ltd. <sup>7</sup>	5.9%
7	Investec Asset Management Limited	4.69%
8	J.P. Morgan Asset Management (including J.P. Morgan as principal)	4.59%
9	Omer Elazari <sup>8</sup>	3.59%
10	Shlomi Weizmann <sup>9</sup>	3.59%
11	Hargreave Hale, stockbrokers	3.29%
12	Old Mutual Global Investors	3.06%

<sup>5</sup> A company wholly owned by Alon Gonen, Director and one of the Company's founders

<sup>6</sup> A company wholly owned by Gal Haber, Director and one of the Company's founders

<sup>7</sup> A company wholly owned by Elad Ben Izhak, one of the Company's founders

<sup>8</sup> One of the Company's founders

<sup>9</sup> One of the Company's founders

## Annual General Meeting

The Annual General Meeting will be held on 27 May 2015 at the office of Liberum Capital Limited, Ropemaker Place, 25 Ropemaker Street London EC2Y 9LY. Details of all resolutions to be proposed at the Annual General Meeting are included in the Notice of Annual General Meeting.

## Going Concern

The Directors, after considering the risks and uncertainties set out in Note 3 on pages 55 to 58 and in the admission document on pages 41 to 56 and after reviewing the Company's operating budgets, investment plans and financing arrangements, consider that the Company has sufficient resources at their disposal to continue their operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## Events after the reporting period

For significant events after the reporting period please refer to Note 16 on page 72.

## Directors' Statement as to Disclosure of Information to Auditors

Having made enquiries of fellow Directors and of the Company's auditors, each Director confirms that to the best of each Director's knowledge and belief, there is no information relevant to the

preparation of the auditors' report of which the Company's auditors are unaware. The Directors of the Company have taken all the steps that they might reasonably be expected to have taken as directors in order to make themselves aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the auditors are aware of that information.

## Auditors

There is no limitation of liability in the terms of appointment of the Auditors. The Company's Auditors for the next year will be appointed in the Annual General Meeting that will take place on 27 May 2015.

Approved by the Board and signed on its behalf by

Inbal Marom, Chief Financial Officer  
16 March 2015



# Remuneration Report

## Directors' Remuneration

The Board recognises that Directors' remuneration is of legitimate interest to the shareholders. The Company operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation. As an Israeli company, listed on the AIM market of the London Stock Exchange, Plus500 is not required to comply with the requirements of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008; however, it is including the Remuneration Report to disclose key aspects of the Directors' remuneration.

## Policy on Directors' Remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Company's position. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Director's responsibilities.

## Remuneration Committee

The remuneration of the Directors in the following table represents the entire remuneration paid to the Directors in 2013 and 2014 and no additional bonuses, benefits, equity compensation or other type of remuneration was paid to any of the executive Directors or non-executive Directors, except that Ms. Marom, the Company's Chief Financial Officer and executive Director was granted (i) in 2013 a cash bonus of USD 283,286 in connection with the Company's IPO on the AIM Market in July 2013 and (ii) in 2014 a share appreciation right in the amount of USD 71,654 vesting after two years, with a maximum payout amount of USD 257,135.

The remuneration of the Directors in 2014 was as follows (all amounts in USD):

		2013 Fees	2014 Fees
1	Alastair Gordon	43,050*	90,520
2	Charles Fairbairn	33,946*	74,062
	Henry Birch	33,308*	18,515**
3	Daniel King	23,482*	49,375
4	Alon Gonen	159,197	226,086
5	Gal Haber	159,197	230,713
6	Inbal Marom	131,337	182,398
7	Paul Boyle***		

\* The amounts reflect partial year payments since the non-executive director's appointment in July 2013.

\*\* The amounts reflect partial year payments until Henry Birch's resignation on May 12, 2014.

\*\*\* The appointment of the non-executive director was effective from 1 January 2015.

The Remuneration Committee is formally required to meet not less than twice a year and at such other times as necessary. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive Officer, the Chairman of the Board, the executive and non-executive Directors, the Company Secretary and other senior executives. The Remuneration Committee also has responsibility for: (i) recommending to the Board a compensation policy for Directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration. The Remuneration Committee comprises Daniel King, Charles Fairbairn and Paul Boyle and is chaired by Daniel King and operates under written terms of reference.

The remuneration of the Company's five most highly compensated executives (including two of its executive directors) in 2014 was as follows (all amounts in USD):

	<b>2014 Fees</b>
1 Alon Gonen <sup>10</sup>	226,086
2 Gal Haber <sup>11</sup>	230,713
3 Elad Ben Izhak <sup>12</sup>	230,713
4 Omer Elazari <sup>13</sup>	230,713
5 Shlomi Weizmann <sup>14</sup>	230,713

<sup>10</sup> The remuneration is paid to Sparta<sup>24</sup> Ltd., a company wholly owned by Alon Gonen

<sup>11</sup> The remuneration is paid to Wavesoft Ltd., a company wholly owned by Gal Haber

<sup>12</sup> The remuneration is paid to Smarty Ltd., a company wholly owned by Elad Ben Izhak

<sup>13</sup> The remuneration is paid to JusTech Ltd., a company wholly owned by Omer Elazari

<sup>14</sup> The remuneration is paid to Artcode Ltd., a company wholly owned by Shlomi Weizmann

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# Corporate Governance

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The Board is responsible to shareholders for effective direction and control of the Company and this report describes the framework for corporate governance and internal control that the directors have established to enable them to carry out this responsibility. As an AIM listed company, the Company is not required to comply with the provisions of the UK Corporate Governance Code (the “Code”) and this is not a statement of compliance as required by the Code. However, the Directors recognise the importance of sound corporate governance and, accordingly, comply with the Code, to the extent they believe appropriate for a company of its nature and size. The Board also follow, as far as practicable, the recommendations in the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA in May 2013 (the “QCA Guidelines”), which have become a widely recognised benchmark for corporate governance of small and mid-size quoted companies, particularly AIM companies. As an Israeli company, the Company also complies with the corporate governance provisions of Israel’s Companies Law, 5759-1999 (the “Companies Law”).

## The Board and Committees

### Board

The Board is responsible for the overall strategy and financial performance of the Company and has a formal schedule of matters reserved for its approval. Each Board meeting is preceded by a clear agenda and any relevant information is provided to directors in advance of the meeting. The Company has established properly constituted audit, remuneration and nomination committees of the Board (in accordance with the Companies Law) with formally delegated duties and responsibilities. Terms of reference for each of these committees can be found on the Company’s website ([www.plus500.com](http://www.plus500.com)).

On 16 March 2015 the Board comprised of three executive directors, Gal Haber, Alon Gonen and Inbal Marom, and four non-executive directors, Alastair Gordon (Chairman of the Board), Charles Fairbairn (Senior Non-Executive Director), Daniel King and Paul Boyle, was added as a member of the Board effective 1 January 2015.

The performance of the Board, the Board committees and the individual Board members is assessed on an evaluation of Board performance

survey conducted on an annual basis via questionnaire and detailed board discussion. An implementation plan is then actioned for any matters arising.

The Board also holds regular telephone calls to update the members on operational and other business. An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice. Newly appointed directors are to be made aware of their responsibilities through the company secretary. The Company provides training to directors where required. No individual or group of directors dominates the Board’s decision making. Collectively, the non-executive directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims.

In accordance with the Companies Law, the Board must always have at least two outside directors who meet certain statutory requirements of independence (the “Outside Directors”). The Company’s Outside Directors are currently Charles Fairbairn and Daniel King. The term of office of an Outside Director is three years, which can be



extended for two additional three year terms. Under the Companies Law, Outside Directors are elected by shareholders by a special majority and may be removed from office only in limited cases. Any committee of the Board must include at least one Outside Director and the Audit Committee and Remuneration Committee must each include all of the Outside Directors (including one Outside Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit Committee and Remuneration Committee must comply with the director independence requirements prescribed by the Companies Law.

### **Remuneration Committee**

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company's policy on the remuneration packages of the Company's Chief Executive Officer, the Chairman of the Board, the executive and non-executive directors, the Company Secretary and other senior executives, therefore the Committee should consist of at least three independent non-executive directors. The Remuneration Committee also has responsibility for: (i) recommending to the Board a compensation policy for directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration.

The UK Corporate Governance Code recommends that a remuneration committee should comprise

at least three members who are independent non-executive directors. The Remuneration Committee comprises Daniel King, Charles Fairbairn and Paul Boyle and is chaired by Daniel King and operates under written terms of reference. The remuneration report on page 28 contains a detailed description of the Company's remuneration policy. The committee met on three occasions since the beginning of 2014. The meetings were held on 14 January 2014, 10 March 2014, and 16 December 2014. The quorum for meetings is two independent non-executive director members, and all relevant committee members attended the meetings. During these meetings the Committee determined and agreed with the Board about the Company's remuneration philosophy and the principles of its remuneration policy, ensuring that these are in line with the business strategy, objectives, values and long-term interests of the Company and comply with all regulatory requirements. In addition, the Committee reviewed the Company's remuneration practices in relation to the Board's risk appetite statements ensuring that remuneration does not encourage excessive risk-taking. This is determined within the Company's risk management and internal control framework and takes account of the Company's values and the long-term interests of shareholders, fund investors and other stakeholders.

### **Nomination Committee**

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board. The Nomination Committee meets not less than twice a year and at such other times as required.

The UK Corporate Governance Code recommends that a majority of members of the nomination committee should be independent non-executive directors. The Nomination Committee comprises Daniel King, Alon Gonen and Charles Fairbairn and is chaired by Daniel King. The Committee met on two occasions on 10 March 2014 and 17 December 2014 since the beginning of 2014, in



relation to the recommendation to the Board to appoint Mr. Paul Boyle as a non-executive director to fill the vacancy on the Board, and in relation to the re-election of Alastair Gordon, Gal Haber, Alon Gonen and Inbal Marom, which should be approved at the forthcoming Company's Annual General Meeting. In accordance with the Companies Law, the term of office of Charles Fairbairn and Daniel King, the Company's Outside Directors, continues until July 2016, and therefore they are not standing for re-election at the forthcoming Annual General Meeting. All Committee members were present. Alon Gonen did not participate in the meeting of the Nomination Committee concerning the proposal to re-nominate him for election to the Board. The Nomination Committee's members believe that the directors put forward for re-election at the forthcoming Annual General Meeting continue to be effective and demonstrate commitment to their role. The Nomination Committee and Board unanimously recommend the re-election of all Board members offering themselves for re-election.

### **Audit Committee**

The Audit Committee has responsibility for ensuring that the financial performance of the Company is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Company (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. In addition, under the Companies Law, the Audit Committee is required to monitor the effectiveness of the internal control environment of the Company, including consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review taxation and transfer pricing, to review the internal auditor's audit plan and to establish and monitor whistleblower procedures.

The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience. The Audit Committee comprises Charles Fairbairn, Paul Boyle and Daniel King, and is chaired by Charles Fairbairn. The Committee operates under written terms of reference and meets at least twice a year with the Company's external auditors, and with the executive directors present by invitation only. The Committee meets with the external auditors without the executive directors present as it considers appropriate. The Committee met on four occasions since the beginning of 2014. The meetings were held on 17 February 2014, 10 March 2014, 11 August 2014 and 17 December 2014. All members were in attendance on each occasion. Among others, the Committee reviewed the financial performance and financial statements of the Company.

### **Conflicts of Interest**

The Company has procedures for the disclosure and review of any conflicts, or potential conflicts, of interest in compliance with the Companies Law, which the directors may have and for the authorisation of such conflict matters by the Board.

Under the Companies Law, any transaction of the Company with a director or any transaction of the Company in which a director has a personal interest requires the approval of the Board. The transaction must not be approved if it is adverse to the Company's interest. If the transaction is an extraordinary transaction (i.e. a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities), then Audit Committee approval is required in addition to Board approval. If the transaction concerns exculpation, indemnification, insurance or compensation of the director, then the approvals of the Remuneration Committee, the Board and the shareholders by way of ordinary resolution are required (in that order). A Director who has a personal interest in a matter that is considered

at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the matter. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the transaction, the shareholders' approval, by way of ordinary resolution, is also required.

The authorisation of a conflict matter, and the terms of authorisation, may be reviewed at any time by the Board. The Board considers that these procedures are operating effectively. There have been no matters arising requiring assessment by the Board as a potential conflict during the year.

### **Relationship with Shareholders**

The Company encourages the participation of both institutional and private investors. The Chief Executive Officer, Gal Haber and Finance Director & Head of Investor Relations, Elad Even-Chen, meet regularly with institutional investors, usually in regard to the issuance of half and full year results. Communication with private individuals is maintained through the Annual General Meeting and the Company's annual and interim reports. The chairmen of the Company's Audit, Remuneration and Nomination Committees are made available to answer questions at the Company's Annual General Meetings. In addition, further details on the strategy and performance of the Company can be found at its website ([www.plus500.com](http://www.plus500.com)), which includes copies of the Company's press releases. Regular updates are provided to the Board on meetings with shareholders and analysts, and broker's opinions. Non-executive directors are available to meet major shareholders, if required. Investors are encouraged to contact the Company's Investor Relations at [ir@Plus500.com](mailto:ir@Plus500.com).

### **Internal Controls**

The Board maintains full control and direction over appropriate strategic, financial, organizational and compliance issues. The Company's organisational structure has clearly



defined lines of authority, responsibility and accountability, which is reviewed regularly. The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Company and the online financial trading industry as a whole along with associated financial and regulatory risks.

The Board has overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance that issues are identified on a timely basis and dealt with appropriately. The Company's key internal financial control procedures include:

- a review by the Board of actual results compared with budget and forecasts;
- reviews by the Board of year end forecasts;
- the establishment of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business;
- the appraisal and approval of proposed acquisitions - by the Board;
- the detailed budgeting and monitoring of costs incurred on the development of new products;
- the reporting to, and review by, the Board of changes in legislation, regulatory requirements and practices within the sector and accounting and regulatory and legal developments pertinent to the Company; and
- the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

The external auditors are engaged to express an opinion on the financial statements. They discuss with management the reporting of operational results and the financial condition of the Company, to the extent necessary to express their audit opinion.

In accordance with Companies Law, the Board must appoint an internal auditor nominated following the recommendation of the Audit Committee. The primary role of the internal auditor is to examine whether a company's actions comply with the law and proper business procedure. The internal auditor may be an employee of the Company but may not be an interested party or office holder, or a relative of any interested party or office holder, and may not be a member of the Company's independent accounting firm or its representative. The Company's internal auditor is Barzilay & Co.

### **Audit and Auditor Independence**

An additional responsibility of the Audit Committee is to keep under review the scope and cost effectiveness of the external audit. This includes recommending to the Board the appointment of the external auditors and for reviewing the scope of the audit, approving the audit fee and, on an annual basis, the Committee being satisfied that the auditors are independent.

Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, are retained to perform audit and audit-related work on the Company and its subsidiaries. The Audit Committee monitors the nature and extent of non-audit work undertaken by the auditors. It is satisfied that there are adequate controls in place to ensure auditor independence and objectivity. The matter is kept under review and is a standing item on the agenda for the Audit Committee. Periodically, the Audit Committee monitors the cost of non-audit work undertaken by the auditors. The Audit Committee considers that it is in a position to take action if at any time it believes that there is a risk of the auditors' independence being undermined through the award of this work.

# 2014 **FINANCIALS**





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# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Companies Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS"). The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Company;
- Select suitable accounting policies in accordance with IAS 8- Accounting policies, changes in Accounting Estimates and Errors and then apply them consistently;
- Present information, including accounting policies, in a manner that provide relevant, reliable, consistent and understandable information;
- Make judgments and accounting estimates that are reasonable;
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of transactions, other events and conditions on the Company's financial position and financial performance; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Directors' Report, and the Directors' Remuneration Report.

# FINANCIAL **STATEMENTS**







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## Report of the Auditors

### To the shareholders of Plus500 Ltd.

We have audited the accompanying consolidated statements of financial position of Plus500 Ltd. (hereafter - the Company) as of 31 December 2014 and 2013, and the related consolidated statement of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years ended on 31 December 2014. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2014 and 2013, and the statement of comprehensive income, changes in equity and cash flows for each of the two years ended on 31 December 2014, in accordance with International Financial Reporting Standards (IFRS).

Haifa, Israel  
16 March 2015

Kesselman & Kesselman  
Certified Public Accountants (Isr.)  
A member firm of PricewaterhouseCoopers International Limited

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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December	
		2014	2013
	Note	U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	10a	139,164	84,108
Short-term bank deposit	10a	1,037	1,177
Restricted deposit	8	69	215
Accounts receivable	10b	3,927	3,239
		144,197	88,739
NON-CURRENT ASSETS:			
Property, plant and equipment	4	1,557	244
Intangible assets	5	57	47
Deferred income taxes	7	495	1,063
		2,109	1,354
Total assets		146,306	90,093

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As of 31 December	
		2014	2013
	Note	U.S. dollars in thousands	
<b>Liabilities and Shareholders' Equity</b>			
<b>CURRENT LIABILITIES:</b>			
Trade payables – due to clients	10c	5,885	5,532
Other accounts payable and accruals:	10d		
Service supplies		7,831	6,840
Other		2,382	1,134
Income tax payable	7	19,579	8,573
		35,677	22,079
<b>NON-CURRENT LIABILITIES:</b>			
Share-based compensation	9	169	-
<b>EQUITY:</b>			
Ordinary shares		317	317
Share premium		22,220	22,220
Retained earnings		87,923	45,477
<b>Total equity</b>		110,460	68,014
<b>Total equity and liabilities</b>		146,306	90,093

**Gal Haber**  
CEO

**Inbal Marom**  
Chief Financial Officer

**Alastair Neil Gordon**  
Non-Executive Director and  
Chairman

Date of approval of the annual financial information by the Company's Board of Directors:  
16 March 2015

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



## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	U.S. dollars in thousands	
<b>TRADING INCOME</b>		228,865	115,088
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:</b>			
Selling and marketing	11a	75,170	44,322
Administrative and general	11b	8,373	3,563
<b>INCOME FROM OPERATIONS</b>		145,322	67,203
Financial income		178	1,335
Financial expenses		7,381	1,373
<b>FINANCING EXPENSES – net</b>		7,203	38
<b>INCOME BEFORE TAXES ON INCOME</b>		138,119	67,165
<b>TAXES ON INCOME</b>	7	35,667	16,532
<b>PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD</b>		102,452	50,633
		<b>In U.S. dollars</b>	
<b>EARNINGS PER SHARE</b> (basic and diluted)	15	0.89	0.47

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
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
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
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
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	57,541	61,269
Balance of cash and cash equivalents at beginning of year	84,108	22,486
Gains (losses) from exchange differences on cash and cash equivalents	(2,485)	353
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	139,164	84,108

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
<b>APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS</b>		
<b>APPENDIX A:</b>		
<b>CASH GENERATED FROM OPERATIONS -</b>		
Net income for the period	102,452	50,633
<b>ADJUSTMENTS REQUIRED TO REFLECT THE CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Depreciation and amortization	120	82
Taxes on income	35,667	16,532
Interest and foreign exchange losses (gains) on operating activities	621	(590)
Losses (Gains) on revaluation of deposits	148	(63)
	36,556	15,961
<b>OPERATING CHANGES IN WORKING CAPITAL:</b>		
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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>141,081</b>	<b>66,890</b>

- The accompanying notes are an integral part of the 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") licence.

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") licence.

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.

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

**Note 2 – Summary of Significant Accounting Policies:**

**a. Basis of Preparation:**

The Group's financial information as of 31 December 2014 and 2013 and for each of the two years for the period ended 31 December 2014, 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 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 Group's 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)".

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



**Note 2 – Summary of Significant Accounting Policies (continued):****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:

	<b>Percentage of annual depreciation</b>
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 licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software licences. 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 instruments:****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

**Note 2 – Summary of Significant Accounting Policies (continued):**

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 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

**Note 2 – Summary of Significant Accounting Policies (continued):**

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 shares.

**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, under which it receives services from employees as consideration for rights. The fair value of the employee services received in exchange for the grant of the rights are recognized as an expense in profit or loss. The total amount to be expensed are 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.

**Note 2 – Summary of Significant Accounting Policies (continued):**

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 in '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.

**Note 2 – Summary of Significant Accounting Policies (continued):**

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 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 1 January 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 - Financial Risk Management

The Group specializes in the field of Contracts for Differences (“CFD”) for retail clients only, primarily on Commodities, Indexes, Stocks, ETFs and Foreign Exchange. The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance.

#### a. Market risk

The management of the Group deems this risk as the highest risk the Group incurs.

Market risk is the risk that changes in market prices will affect the Group income or the value of its holdings of financial instruments. This risk can be divided into market price risk and foreign currency risk, as described below.

The Group’s market risk is managed on a Group-wide basis and exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. The Group utilizes market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. As a result, not all net client exposures are hedged and the Group may have a substantial net position in any of the financial market in which it offers products.

The Group’s market risk policy incorporates a methodology for setting market position limits, consistent with the Group risk appetite, for each financial instrument in which the Group clients can trade, as well as certain markets which the CEO considers to be correlated. These limits are determined based on the Group clients’ trading levels, volatilities and the market liquidity of the underlying financial product or asset class and represent the maximum long and short client exposure that the Group will hold without

hedging the net client exposure.

The Group’s real-time market position monitoring system is intended to allow it to continually monitor its market exposure against these limits. If exposures exceed these limits, the Group either hedges, or new client positions are rejected under the Group’s policy.

It is the approach of the Group to observe during the year the ‘natural’ hedge arising from the Group’s global clients in order to reduce the Group’s net market exposure.

Under the Group’s policy, if it is not cost effective to hedge market positions, the Group will review the appropriate action.

The Group’s exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each statement of financial position date may therefore not be representative of the market risk exposure faced by the Group over the year. The Group’s exposure to market risk is determined by the exposure limits described above which change from time to time.

#### 1. Market price risk:

This is the risk that the fair value of a financial instrument fluctuates as a result of changes in market prices other than due to the effect of transactional foreign currency exposures or interest rate risks.

The Group has market price risk as a result of its trading activities CFDs on foreign exchange, stocks, indices, commodities and ETFs, part of which is naturally hedged as part of the overall market risk management. The exposure is monitored on a Group-wide basis.

Exposure limits are set by the risk manager for each product, and also for groups of



**Note 3 - Financial Risk Management (continued):**

products where it is considered that their price movements are likely to be positively correlated.

**Daily profit on closed positions:**

	2014	2013
	U.S. dollars in thousands	
Highest profit	4,379	3,691
Highest loss	(608)	(289)
Average	628	318

During the years 2014 and 2013, as to the closed positions, there were 349 and 297 profitable trading days respectively.

The Company is of the opinion that its exposure to market risk is managed among others by capping the exposure of each instrument through risk limitation protocols.

**2. Foreign currency risk:**

Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity. Transaction exposures arise in the normal course of business.

Foreign currency risk is managed on a group-wide basis, while the Group exposure to foreign currency risk is not considered by the board to be significant. The Group monitors transactional foreign currency risks including currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and trades on foreign currencies.

At 31 December 2014, if the U.S. dollar had strengthened by 1% against Pound sterling

with all other variables unchanged the exposure in respect of balances denominated in Pound sterling on income after taxes is \$65 thousand (2013: \$401 thousand); if the U.S. dollar had strengthened by 1% against Euro with all other variables unchanged the exposure in respect of balance denominated in Euro on income after taxes is \$233 thousand (2013: \$179 thousand).

**b. Credit risk**

The Group operates a real-time mark-to-market trading platform with clients' profits and losses being credited and debited automatically to their accounts.

Under the Group's policy the clients cannot owe the Group funds when losing more than they have in their accounts.

Client credit risk principally arises when a client's total funds deposited (margin and free equity) are insufficient to cover any trading losses incurred. In particular, client credit risk can arise where there are significant, sudden movements in the market i.e. due to high general market volatility or specific volatility relating to an individual financial instrument the client has an open position in.

The Group's products are margin-traded. If the market moves adversely by more than the client's maintenance margin, the Group is exposed to client credit risk.

The Company set principles in order to monitor and manage the credit risk on a real time basis. Under the Group's policy, if client funds are below the required margin level, client positions will be liquidated (margin call).

The carrying amount of the Group's financial assets best represents their maximum exposure to credit risk.

**Note 3 - Financial Risk Management (continued):**

The Group has no material financial assets that are past due or impaired as at the reporting dates.

For the years 2014 and 2013 Counterparties holding about 93% and 91% (respectively) of Company cash and cash equivalents, credit cards and deposits are Barclays, Bank Leumi, First International Bank of Israel and Credit Suisse. The credit ratings as of 31 December 2014 are as follows:

Financial institution	Rating*
Barclays	A
Credit Suisse	A
Bank Leumi	A
First International Bank Of Israel	BB

*\* The Financial institutions were rated by the same third party*

As for the remaining counterparties which for the years 2014 and 2013 holds about 7%, and 9% (respectively) of Company cash and cash equivalents, they are located worldwide and are considered to be leading institution in each country.

The Group's largest credit exposure to any single bank as of 31 December 2014 was \$64,471 thousands or 45% of the exposure to all banks (2013: \$42,389 thousands).

**c. Concentration risk**

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

Trading income from external customers in 2014 in the United Kingdom was 16% (2013: 15%). As of 31 December 2014 derivative open positions in United Kingdom amount to 17% (2013: 14%) of the total derivative open positions.

**d. Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.

Liquidity risk is managed centrally and on a group-wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

The Group approach is to insure that there will be no material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as a result of the Group adopting what it considers to be best industry practice in placing some retail client funds in segregated client money accounts. A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

The contractual maturity of the financial liabilities is up to two months.

**e. Capital Management**

The UK Subsidiary is regulated by the UK's Financial Conduct Authority ("FCA"). The UK Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter - Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter - Pillar 2). The UK Subsidiary manages its regulatory capital

**Note 3 - Financial Risk Management (continued):**

through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the FCA.

Both Pillar 1 and the Pillar 2 assessment are compared with total available regulatory capital on a daily basis and monitored by the management of the company. As of 31 December 2014 and 2013, the UK regulated entity had £ 14,678 thousands and £ 7,952 thousands, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

**f. Fair value estimation**

Financial derivative open positions (offset from deposits from clients within "Trade payable due from clients") (see also note 10c) are measured at fair value through profit or loss using valuation techniques. The said valuation techniques are based on inputs other than quoted prices in active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required for the fair value estimations of the said instruments are observable, the said instruments are included in level 2.

Specific valuation techniques used to value financial instruments are based on using quoted market prices or dealer quotes for similar instruments, with regard to the difference between dealer quotes and the quoted marker price.

**g. Financial derivative open positions**

The Company's contracts with its customers are financial instruments.

For disclosure about offsetting financial assets and liabilities from open positions see note 10c.

# Note 4 - Property, Plant and Equipment:

a. Composition of assets, grouped by major classifications and changes therein in 2014 is as follows:

	Cost			Accumulated depreciation		Depreciated balance
	Balance at beginning of year	Additions during the year	Balance at end of the year	Balance at beginning of year	Additions during the year	Balance at end of the year
	U.S. dollars in thousands			U.S. dollars in thousands		
Computers and office equipment	345	110	455	166	72	238
Leasehold improvements	126	1,309	1,435	61	34	95
	471	1,419	1,890	227	106	333
						U.S. dollars in thousands
						217
						1,340
						1,557

b. Composition of assets, grouped by major classifications and changes therein in 2013 is as follows:

	Cost			Accumulated depreciation		Depreciated balance
	Balance at beginning of year	Additions during the year	Balance at end of the year	Balance at beginning of year	Additions during the year	Balance at end of the year
	U.S. dollars in thousands			U.S. dollars in thousands		
Computers and office equipment	280	65	345	110	56	166
Leasehold improvements	116	10	126	46	15	61
	396	75	471	156	71	227
						U.S. dollars in thousands
						179
						65
						244

## Plus500 Ltd. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Note 5 - Intangible Assets:

	Cost	Accumulated amortization	Cost	Accumulated amortization
	As of 31 December 2014		As of 31 December 2013	
	U.S. dollars in thousands		U.S. dollars in thousands	
Software	100	43	76	29

The amortization of intangible assets was charged to administrative and general expenses.

## Note 6 - 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 distribute by the Company's Board of Directors:

Date of declaration	Amount of dividend in thousands of \$
18 March 2013	4,874
19 June 2013	3,894
22 August 2013	8,042
18 February 2014	33,007
12 August 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 dividend per share was computed based on the weighted average number of ordinary shares in issue –see note 15).



**Note 7 - Taxes on Income:**

**a. Corporate taxation in Israel**

Under the “Tax Burden Distribution Law”, corporate tax rate is 25% as from 2012.

On 5 August 2013, the Law for Change of National Priorities, 2013 (hereinafter - the Law) was published in Reshumot (the Israeli government official gazette), enacting, raising the corporate tax rate beginning in 2014 and thereafter to 26.5% (instead of 25%).

The application of this law did not have a material effect on the Group’s income tax expenses.

**b. Corporate taxation in Subsidiaries**

The UK subsidiary is assessed for tax under the tax laws in UK. The principal tax rates applicable to the subsidiary incorporated in the UK is 21.5% (January –March 2014 – tax rate of 23%, April 2014 through December 2014 tax rate of 21%).

Other subsidiaries in the Group do not have significant taxable income and the overall effect of the income of those subsidiaries on the Group’s tax expenses is immaterial.

**c. Deferred tax asset**

The Deferred tax assets in 2014 and 2013 in total amount of \$495 thousands and \$1,063 thousands, respectively, is presented among “non-current assets”, and computed at tax rate of 26.5%.

The significant portion of the said deferred tax assets is a tax asset for issuance expenses incurred as a result of its IPO, which was credited to equity, in amount of \$447 thousands and \$1,002 thousands in 2014 and 2013 respectively.

**Note 7 - Taxes on Income** (continued):**d. Taxes on income included in the income statements for the reported periods:**

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
<b>Current taxes -</b>		
current taxes in respect of current year's profits	35,099	16,101
<b>Deferred taxes -</b>		
Reversal of deferred taxes asset (see c above)	568	431
<b>Taxes on income expenses</b>	<b>35,667</b>	<b>16,532</b>

**e. Reconciliation of the theoretical tax expense**

Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in Israel (Note 7a above) and the actual tax expense:

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
<b>Income before taxes on income, as reported in the income statements</b>	<b>138,119</b>	<b>67,165</b>
<b>Theoretical tax expense in respect of this year's</b>		
income - at 26.5% (25% in 2013)	36,602	16,791
Increase (decrease) in taxes resulting from different tax rates applicable to foreign subsidiary	(817)	(223)
Increase (decrease) in taxes arising from permanent differences	(118)	(36)
<b>Taxes on income for the reported period</b>	<b>35,667</b>	<b>16,532</b>

**Note 7 - Taxes on Income (continued):**

**f. Effect of adoption of IFRS in Israel on tax liability**

As mentioned in note 2a, the Group prepares its financial statements in accordance with IFRS.

IFRS standards differ from accounting principles generally accepted in Israel and accordingly, the preparation of financial statements in accordance with IFRS may reflect a financial position, results of operations and cash flows that are materially different from those presented in financial statements presented in accordance with accounting principles generally accepted in Israel.

In accordance with the law for the amendment of the Income Tax Ordinance which was published in the official gazette in the years 2010, 2012 and 2014 (hereinafter together – the temporary provision), the provisions of Israel Accounting Standard No. 29 of the Israel Accounting Standards Board do not apply in determining taxable income for tax years 2007 to 2013, even if applicable in financial statements for those tax years. The meaning of the temporary provision is that IFRS do not apply in practice when calculating the reported income for tax purposes in the specified tax years.

On 31 October 2011 the Government of Israel published a law memorandum in connection with the amendment to the Income Tax Ordinance (hereafter – the law memorandum) resulting from application of IFRS in the financial statements. Generally, the law memorandum adopts IFRS. However, it suggests several amendments to the Income Tax Ordinance that will serve to clarify and determine the manner of computing taxable income for tax purposes in cases where the manner of computation is unclear and IFRS is incompatible with the principles of the tax method applied in Israel. At the same time, the law memorandum generally adopts IFRS. The legislation process involving the law memorandum has not been completed, and is

not likely to be completed in the near future.

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 to 2013 may be extended to cover 2014 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014, management expects at this stage that the new legislation will not apply to tax years preceding 2015.

Considering that the temporary provision applies to the 2007-2013 tax years and company assessment on the likelihood for extension to cover 2014, as above, the Company computed its taxable income for 2009-2014 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

**g.** Final tax assessments have been received by the company through the year ended 31 December 2011.

The subsidiary Plus500UK Ltd. has only been subject to self-assessment since its incorporation.

**Note 8 – Restricted Deposit**

On 28 April 2014 the Company signed a lease contract with a third party for the lease of 1360 square meter offices in Haifa, Israel.

According to the contract, the lease is for 60 months and the Company has an option to shorten the lease period to 36 months with a payment of NIS 337 thousands plus VAT. The rental payments are linked to the Israeli CPI. The long term deposit serves as a security for a bank guarantee provided in favor of the said third party in the amount of US \$69 thousands (NIS 267 thousands) until August 2015, (see note 14).

**Note 9 – Share-Based Compensation**

- a. On December 24, 2009, the company entered into an agreement with the former CEO of the UK Subsidiary (hereinafter - the CEO) giving him 2.5% of the shares of the subsidiary for his continued service in the company (until July 2013).  
The agreement stated that the Company has a first right of refusal in case the CEO decided to sell shares that were released from the right of repurchase to a third party.  
In addition to the right of repurchase the agreement granted the Company a call option to purchase at any time the entire shares granted to the CEO for a total of NIS 3,000 thousands (\$804 thousands). Furthermore, the CEO was granted a put option whereby until the end of three years from the date in which all of the rights of repurchase expire (commencing June 2013), he may sell to the Company half of the shares for NIS 1,000 thousands (\$268 thousands).  
The Company paid to the CEO of Plus500 UK the amount of the liability during 2013 of \$805 thousands. As of 31 December 2013, no liability for share-based payment exists  
In the year 2013 the Company recognized expenses of \$52 thousand within general and administrative expenses with respect of the said transaction.
- b. On 14 January 2014 the Board of Directors approved a “Share Appreciation Rights” plan (hereafter “the Plan”) to the Group employees. Under the Plan, the Company granted 1,382 rights to 14 employees on three different occasions.  
The base price of grants as of the dates of grant was calculated on the basis of the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the dates of grant.  
The rights will be settled in cash two years after the date of grant; the amount paid to the employees in cash will be determined based on the appreciation of the Company’s share price as of the end of the two-year period.  
The cash payment shall be calculated on the basis of the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the payout date.  
The fair value of the rights at the grant date is \$465 thousands; the fair value was estimated using the Black and Scholes option pricing model.  
The Group implemented IFRS 2 “Share-Based Payments” (see note 2) to this Plan.

The following table specifies the dates of grants and the amounts granted as of each date:

<b>Granted day</b>	<b>Expiry date</b>	<b>Base price (GBP)</b>	<b>Granted rights</b>
14 January 2014	14 January 2016	260.19	1,149
16 July 2014	16 July 2016	524.3	33
19 December 2014	19 December 2016	499.8	200

As of 31 December 2014 the Group recognized a liability at fair value of \$169 thousands.  
In the year 2014, the Group recognized expenses in the said amount within general and administrative expenses with respect of the said plan.

**Note 10 - Supplementary Balance Sheet Information:****a. Cash, cash equivalents and short term bank deposit:***1. Cash and cash equivalents by currency of denomination*

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Dollar	96,838	2,348
Euro	44,426	46,536
GBP	14,808	59,875
Other	17,822	8,166
Gross cash and cash equivalents	173,894	116,925
Less: Segregated client funds	(34,730)	(32,817)
Own cash and cash equivalents	139,164	84,108

*2. The Company has a short term bank deposit in amount of 1,037 thousands Euro, yielding interest at 0.01% per year.*

**b. Accounts receivable**

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Prepaid expenses	439	99
Credit cards	3,081	2,961
Other	407	179
	3,927	3,239

All the financial assets included among current assets are for relatively short- periods; therefore, their fair values approximate or are identical to their carrying amounts.



**Note 10 - Supplementary Balance Sheet Information** (continued):**c. Trade payables – due to clients:**

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Amounts due to clients	11,505	13,980
<b>Less- financial derivative open Positions:</b>		
Gross amount of assets	(8,493)	(12,107)
Gross amount of liabilities	2,873	3,659
	5,885	5,532

Other amounts from clients that will be transferred from segregate client funds to the Group's own cash on the immediately following working day in accordance with the United Kingdom Financial Conduct Authority (FCA) rules are \$(628) thousands as of 31 December 2014.

**d. Other accounts payable and accruals:****1. Service suppliers:**

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Open accounts	7,827	6,826
Cheques and notes payable	4	14
	7,831	6,840

**2. Other:**

	Year ended 31 December	
	2014	2013
	U.S. dollars in thousands	
Payroll and related expenses	513	373
Accrued expenses	1,858	749
Other	11	12
	2,382	1,134

The financial liabilities included among accounts payable, accruals and deposits from clients are for relatively short periods; therefore, their fair value is not materially different than their carrying amounts.

**Note 11 - Supplementary Income Statement Information:**

	<b>Year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<b>U.S. dollars in thousands</b>	
<b>a. Selling and marketing expenses:</b>		
Payroll and related expenses	4,009	3,078
Commission to agents	4,275	3,401
Advertising	57,041	32,508
Commissions to processing companies	7,492	3,865
Server and data feeds commissions	2,212	1,400
Sundry	141	70
	75,170	44,322
<b>b. General and administrative expenses:</b>		
Payroll and related expenses	2,290	1,180
Professional fees and regulatory fees	3,173	1,367
Share-based compensation	169	52
Office Expenses	1,458	877
Public Relations & Trading expenses	715	72
Sundry	568	15
	8,373	3,563

**Note 12 - Related Parties**

“A related party” - As this term is being defined in IAS 24 - “Related Party Disclosure” (hereafter – IAS 24R).

Key management personnel of the Company include five founding shareholders: two of those shareholders are Directors.

These Shareholders provide services to the Company directly or through companies they control.

As of 31 December 2014 and 2013, the balance of Company’s liability in respect of these services amounts is \$96 thousands and \$72 thousands respectively; the said liability is recorded among “other payables”.

In 2014 and 2013, the Company paid service fees to related parties at the total amount of \$1,184 thousands and \$941 thousands, respectively. A total of \$946 thousands and \$775 thousands were recognized as payroll expenses under the “selling and marketing expenses” item for the years 2014 and 2013, respectively. The remaining balance of \$238 thousands and \$166 thousands was recognized as payroll expenses under the “general and administrative expenses” item in 2014 and 2013, respectively.

In 2014 and 2013, the Company paid directors fees at the total amount of \$423 thousands and \$134 thousands, respectively, under the general and administrative expenses.

### Note 13 – Enterprise Wide Disclosures

The Company is domiciled in Israel. Trading income from Israeli customers is not material. Trading income from external customers in 2014 in the United Kingdom is 16% (2013: 15%) of the company's revenues.

Trading income was attributed to geographical areas according to the location of the customer.

### Note 14 - Commitments

In April 2014 the Company has entered into a lease agreements for its headquarters facility in Haifa (see note 8).

The expected rental payments for the next years are as follows:

U.S. dollars in thousands	
2015	260
2016	260
2017	260
2018	260
2019	260
Total	1,300

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**NOTE 15 - 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 31 December	
	2014	2013
	U.S. dollars in thousands	
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.

**NOTE 16 - SUBSEQUENT EVENTS**

On 24 February 2015, the Company's Board of Directors declared the distribution of a dividend of \$0.3001 per share, in the total amount of \$34,478 thousands with an ex-dividend date of 19 March 2015.

In addition to the above, the Board has declared a special dividend of \$0.2657 per share, in the total amount of \$30,525 thousands.

# FURTHER **INFORMATION**





# Advisers

## Nominated Adviser and Broker

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## Legal Advisers (Israel)

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Tel Aviv 6789717, Israel

## Legal Advisers (United Kingdom)

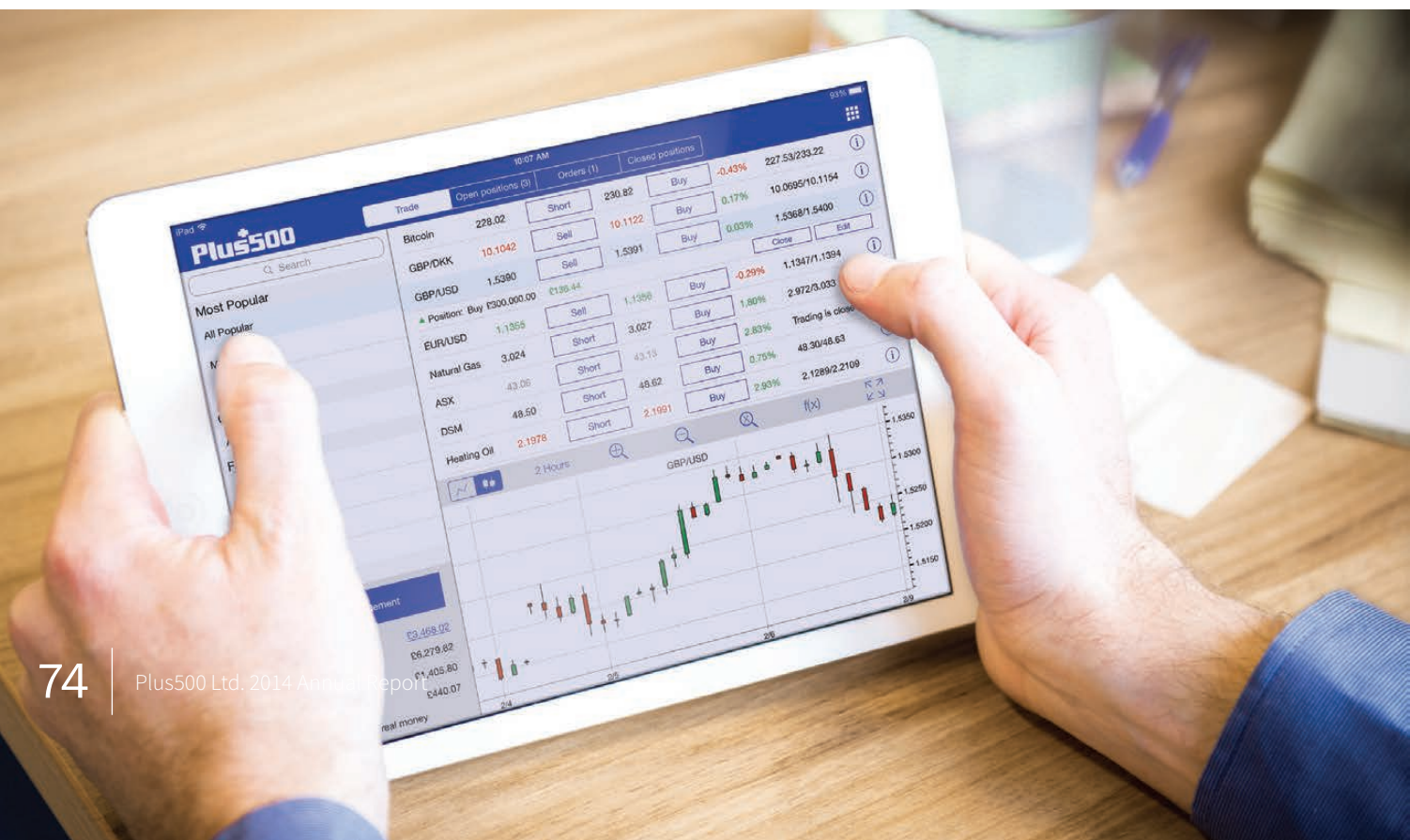
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