Plus500

World's Trading Machine

30 JUNE 2018 - INTERIM FINANCIAL STATEMENT

Plus500 LTD.

CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Unaudited)

30 JUNE 2018

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The amounts are presented in U.S. dollars ($) in millions.

Review Report of Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position Plus500 Ltd. and its subsidiaries (hereafter - the Group) as of 30 June 2018 and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting” ("IAS 34") as issued by the International Accounting Standards Board and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. Our responsibility is to express a conclusion of the condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing came to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 as issued by the International Accounting Standards Board.

Tel Aviv, Israel
August 10, 2018

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

Plus500 LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

		Six months ended 30 June		Year ended 31 December
		2018	2017	2017
		(Unaudited)		(Audited)
	Note	U.S. dollars in millions		
TRADING INCOME		465.5	188.4	437.2
Selling and marketing expenses	5	92.8	61.2	156.0
Administrative and general expenses	6	24.0	9.0	22.7
OPERATING PROFIT		348.7	118.2	258.5
Financial income		1.7	3.2	3.2
Financial expenses		4.0	5.1	8.3
FINANCIAL EXPENSE - NET		(2.3)	(1.9)	(5.1)
PROFIT BEFORE INCOME TAX		346.4	116.3	253.4
INCOME TAX EXPENSE		84.7	25.6	53.7
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD		261.7	90.7	199.7
		In U.S. dollars		
EARNINGS PER SHARE (basic and diluted)	7	2.30	0.79	1.75

The attached notes are an integral part of this condensed consolidated interim financial information.

Plus500 LTD.

CONDENSED CONSOLIDATED FINANCIAL POSITION

30 JUNE 2018 (UNAUDITED)

	Note	As of 30 June 2018	As of 30 June 2017	As of 31 December 2017
		(Unaudited)	(Unaudited)	(Audited)
		U.S. dollars in millions		
ASSETS				
Non-current assets				
Property, plant and equipment		3.3	3.4	3.3
Intangible assets		0.1	0.1	0.1
Deferred income taxes		1.9	0.7	0.5
Long term restricted deposit		0.3	0.2	0.3
Total non-current assets		5.6	4.4	4.2
Current assets				
Income tax receivable		-	10	17.2
Other receivables		11.2	14.8	7.7
Restricted deposit		0.4	0.4	0.4
Short-term bank deposit		0.2	0.1	0.2
Cash and cash equivalents		511.7	220.6	241.9
Total current assets		523.5	245.9	267.4
TOTAL ASSETS		529.1	250.3	271.6
LIABILITIES				
Non-current liabilities				
Share-based compensation		1.9	0.6	-
Total non-current liabilities		1.9	0.6	-
Current liabilities				
Dividend	8	164.9	75.0	-
Share-based compensation		6.1	2.1	4.2
Income tax payable		5.7	3.1	2.3
Other payables		12.1	5.3	12.1
Service suppliers		15.7	14.5	22.6
Trade payables – due to clients	10	-	1.2	4.5
Total current liabilities		204.5	101.2	45.7
TOTAL LIABILITIES		206.4	101.8	45.7
EQUITY:				
Ordinary shares		0.3	0.3	0.3
Share premium		22.2	22.2	22.2
Cost of Company's shares held by the Company	9	(7.5)	(3.2)	(7.5)
Retained earnings		307.7	129.2	210.9
Total equity		322.7	148.5	225.9
TOTAL LIABILITIES AND EQUITY		529.1	250.3	271.6

Asaf Elimelech	**Elad Even-Chen**	**Penelope Judd**
Chief Executive Officer	Group Chief Financial Officer	Non-Executive Director and Chairman

Date of approval of the condensed consolidated interim financial statements by the Company's Board of Directors: 10 August, 2018

The attached notes are an integral part of this condensed consolidated interim financial information.

Registered Company number (Israel): 514142140

Plus500 LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Ordinary shares	Share premium	Cost of Company's shares held by the Company	Retained Earnings	Total
			U.S. dollars in millions		
BALANCE AT 1 JANUARY 2018 (audited)	0.3	22.2	(7.5)	210.9	225.9
CHANGES DURING THE SIX MONTHS ENDED 30 JUNE 2018 (unaudited):					
Profit and comprehensive income for the period				261.7	261.7
TRANSACTION WITH SHAREHOLDERS:					
Dividend				(164.9)	(164.9)
BALANCE AT 30 JUNE 2018 (unaudited)	0.3	22.2	(7.5)	307.7	322.7
BALANCE AT 1 JANUARY 2017 (audited)	0.3	22.2	-	113.5	136.0
CHANGES DURING THE SIX MONTHS ENDED 30 JUNE 2017 (unaudited):					
Profit and comprehensive income for the period				90.7	90.7
TRANSACTION WITH SHAREHOLDERS:					
Dividend				(75.0)	(75.0)
Acquisition of treasury shares			(3.2)		(3.2)
BALANCE AT 30 JUNE 2017 (unaudited)	0.3	22.2	(3.2)	129.2	148.5
BALANCE AT 1 JANUARY 2017 (audited)	0.3	22.2	-	113.5	136.0
CHANGES DURING THE YEAR ENDED 31 DECEMBER 2017 (audited)**:**					
Profit and comprehensive income for the year				199.7	199.7
TRANSACTION WITH SHAREHOLDERS:					
Dividend				(102.3)	(102.3)
Acquisition of treasury shares			(7.5)		(7.5)
BALANCE AT 31 DECEMBER 2017 (audited)	0.3	22.2	(7.5)	210.9	225.9

The attached notes are an integral part of this condensed consolidated interim financial information.

Plus500 LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Six months ended 30 June		Year ended 31 December
	2018	**2017**	**2017**
	(Unaudited)		**(Audited)**
	U.S. dollars in millions		
OPERATING ACTIVITIES:			
Cash generated from operations (see Note 11)	334.0	115.5	278.7
Income tax paid, net	(63.2)	(30.5)	(66.5)
Interest received (paid), net	1.5	(0.5)	(0.2)
Net cash flows provided by operating activities	272.3	84.5	212.0
INVESTING ACTIVITIES:			
Purchase of deposits	-	(0.1)	(0.2)
Purchase of restricted deposits	-	-	(0.2)
Purchase of property, plant and equipment	(0.3)	(0.4)	(0.6)
Net cash flows used in investing activities	(0.3)	(0.5)	(1.0)
CASH FLOWS USED IN FINANCING ACTIVITIES:			
Dividend paid to equity holders of the Company (see note 8)	-	-	(102.3)
Acquisition of the Company's shares by the Company (see note 9)	-	(3.2)	(7.5)
Net cash flows used in financing activities	-	(3.2)	(109.8)
INCREASE IN CASH AND CASH EQUIVALENTS	272.0	80.8	101.2
Balance of cash and cash equivalents at beginning of period	241.9	136.5	136.5
Gains (Losses) from exchange differences on cash and cash equivalents	(2.2)	3.3	4.2
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	511.7	220.6	241.9

The attached notes are an integral part of this condensed consolidated interim financial information.

NOTE 1 - GENERAL INFORMATION

Information on activities of Plus500 Ltd and its subsidiaries (hereafter- the Group)

Plus500 Ltd. (hereafter – the Company) and its subsidiaries (hereafter – the Group) has developed and operates an online and mobile trading platform within the CFD sector enabling its international customer base of individual customers to trade CFDs on over 2,200 underlying financial instruments internationally. The Group currently offers CFDs referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange.

The Group's offering is available internationally with a significant market presence in the UK, Australia, the EEA and the Middle East and has retail customers located in more than 50 countries. The Group operates through operating subsidiaries regulated by the FCA in the UK, ASIC in Australia, the CySEC in Cyprus, the ISA in Israel, the FMA in New Zealand, the FSCA in South Africa and the MAS and Enterprise Singapore (formerly known as International Enterprise Singapore) in Singapore.

On 24 July 2013, the Company's shares were admitted to trading on AIM market of the London Stock Exchange in the Company's initial public offering ("IPO"). On 26 June 2018, the Company's shares were admitted to the premium listing segment of the official list of the UK Listing Authorities (the "official list") and to trading on the London Stock Exchange plc's main market for listed securities and trading of the Company's shares on the AIM market of London Stock Exchange plc were cancelled.

The Group is engaged in one operating segment - CFD trading.

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

NOTE 2 – BASIS OF PREPARATION

Basis of accounting and accounting policies

These condensed consolidated interim financial statements for the six months period ended 30 June 2018 have been prepared in accordance with IAS 34 - 'Interim financial reporting' as issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS.

This condensed consolidated interim financial information is reviewed and not audited.

Going concern

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

NOTE 3 – ACCOUNTING POLICIES

Significant accounting policies and computation methods used in preparing the interim financial information are consistent with those used in preparing the 2017 annual financial statements, except for the following:

Income tax in interim periods is recognised based on management's best estimate of the annual income tax rate expected.

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: amortized cost, fair value through other comprehensive income 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. IFRS9 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 uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company implements IFRS9 retrospectively as from January 1, 2018. The initial implementation of IFRS9 had no material effect on the financial statements of the Company.

IFRS 15- "Revenue from Contracts with Customers" (hereafter- IFRS 15)

Upon first-time adoption, IFRS 15 will replace existing IFRS guidance on revenue recognition.
The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
IFRS 15 introduces a single model for revenue recognition, in which an entity recognizes revenue in accordance with that core principle by applying the following five steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the separate performance obligations in the contract.
5. Recognize revenue as each performance obligation is satisfied.

IFRS 15 provides guidance about various issues related to the application of that model, including: recognition of revenue from variable consideration set in the contract, adjustment of transaction for the effects of the time value of money and costs to obtain or fulfill a contract. The standard extends the disclosure requirements regarding revenue.

The Company implements IFRS15 retrospectively as from January 1, 2018. The initial implementation of IFRS15 had no material effect on the financial statements of the Company.

NOTE 3 – ACCOUNTING POLICIES (continued):

IFRS 16 – "Leases" (hereafter – IFRS 16)

In January 2016, the IASB issued IFRS 16 - Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - Leases. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leases assets separately from interest on lease liabilities in the income statement. IFRS 16 is effective from January 1, 2019 with early adoption allowed only if IFRS 15 - Revenue from Contracts with Customers is also applied.
The Group estimates that there will be no material impact in the application of IFRS 16 on its financial statements.

NOTE 4- ENTERPRISE WIDE DISCLOSURES

The Company is domiciled in Israel. Trading income and non-current assets from Israeli customers are not material. The Trading income attributed to geographical areas according to the location of the customer is as follows:

	Six months ended 30 June		Year ended 31 December
	2018	**2017**	**2017**
	(Unaudited)		**(Audited)**
	U.S. dollars in millions		
United Kingdom	69.6	30.5	68.6
Australia	47.6	6.9	23.7
European Economic Area (EEA)*	262.9	107.0	247.8
Rest of the World	85.4	44.0	97.1
	465.5	188.4	437.2

*Excluding United Kingdom

NOTE 5- SELLING AND MARKETING EXPENSES

	Six months ended 30 June		Year ended 31 December
	2018	**2017**	**2017**
	(Unaudited)		**(Audited)**
	U.S. dollars in millions		
Payroll and related expenses	7.2	5.2	10.9
Variable Bonuses	2.6	1.0	2.0
Share-based compensation	2.8	0.6	2.8
Commission to agents	11.7	4.8	27.0
Advertising	52.1	40.3	90.0
Commissions to processing companies	12.2	6.3	16.9
Server and data feeds commissions	3.5	2.8	5.8
Third party customer support	0.3	-	0.1
Sundry	0.4	0.2	0.5
	92.8	61.2	156.0

NOTE 6- ADMINISTRATIVE AND GENERAL EXPENSES

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars in millions		
Payroll and related expenses	4.1	3.4	7.1
Variable Bonuses	6.0	0.6	2.9
Share-based compensation	3.1	0.6	2.7
Professional fees and regulatory fees	*3.4	1.5	3.0
Office expenses	2.8	1.7	4.1
Travelling expenses	0.5	0.3	0.7
Public company expenses	*2.6	0.3	0.8
Nonrefundable VAT	1.1	0.3	0.7
Sundry	0.4	0.3	0.7
	24.0	9.0	22.7

*These amounts include an aggregate amount of $ 4.0 million which is related to the admission to the premium listing segment of the official list of the UK Listing Authorities (see note 1).

NOTE 7- EARNINGS PER SHARE

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. (See note 9)

	Six months ended 30 June		31 December
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars		
Profit attributable to equity holders of the Company	261,725,411	90,709,000	199,675,000
Weighted average number of ordinary shares in issue	113,908,231	114,850,572	114,420,058

NOTE 8 – DIVIDEND

The amounts of dividends and the amounts of dividends per share for the years 2017 and 2018 declared and distribute by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend in millions of $
5 February 2017	75.0
4 August 2017	27.2
14 February 2018	92.6
14 February 2018	72.3

On 14 February 2018 the Company declared a final dividend in an amount of $92.6 million ($0.8129 per share). The dividend was paid to shareholders on 23 July 2018.

On 14 February 2018 the Company declared a special dividend in an amount of $72.3 million ($0.6350 per share). The dividend was paid the shareholders on 23 July 2018.

NOTE 8 – DIVIDEND (continued)**:**

On 4 August 2017 the Company declared a dividend in amount of $ 27.2 million ($0.2388 per share). The dividend was paid to shareholders on 23 November 2017.

On 5 February 2017 the Company declared a dividend in amount of $ 75.0 million ($0.6528 per share). The dividend was paid to shareholders on 3 July 2017.

NOTE 9 – ACQUISITION OF THE COMPANY'S SHARES BY THE COMPANY

In June 2017, the Board approved a programme to buy back up to US$10 million of the Company's Ordinary Shares. The buyback programme ran from 2 June 2017 to 31 August 2017 and was funded from the Company's net cash balances. In August 2017, the Board approved a second programme to buy back up to US$27.21 million of Ordinary Shares. The second buyback programme expired on 1 February 2018 and was also funded from the Company's net cash balances. The Company bought back 980,146 Ordinary Shares (or 0.9%) in the capital of the Company for an aggregate purchase price of $7.5 million pursuant to these buyback programmes. Shares were bought back at an average price of £5.98**.**

NOTE 10- TRADE PAYABLES- DUE TO CLIENTS

	30 June		31 December
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars in millions		
Customers deposits, net*	107.6	72.3	162.0
Segregated client funds	(107.6)	(71.1)	(157.5)
	-	1.2	4.5

As of 30 June 2018, 2017 and 31 December 2017 the total amount of trade payables due to clients includes bonuses to the clients from all of the subsidiaries.

***** Customers deposits, net are comprised of the following:

	30 June		31 December
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars in millions		
Customers deposits	146.9	99.7	188.4
Less- financial derivative open positions:			
Gross amount of assets	(48.6)	(34.8)	(45.7)
Gross amount of liabilities	9.3	7.4	19.3
Customers deposits, net	107.6	72.3	162.0

NOTE 11- CASH GENERATED FROM OPERATIONS

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	(Unaudited)		(Audited)
	U.S. dollars in millions		
Cash generated from operations activities			
Net income for the period	261.7	90.7	199.7
Adjustments required to reflect the cash flows from operating activities:			
Depreciation and amortization	0.3	0.3	0.7
Liability for share-based compensation	5.9	1.3	5.5
Settlement of share-based compensation	(2.1)	(0.9)	(0.9)
Taxes on income	84.7	25.6	53.7
Interest expenses (income)	(1.5)	0.4	0.2
Foreign exchange losses (gains) on operating activities	(0.1)	(3.3)	(4.1)
	87.2	23.4	55.1
Operating changes in working capital:			
Decrease (increase) in other receivables	(3.5)	(5.1)	2.0
Increase (decrease) in trade payables due to clients	(4.5)	(0.4)	2.8
Increase (decrease) in other payables	-	8.7	16.8
Increase (decrease) in Service suppliers	(6.9)	(1.8)	2.3
	(14.9)	1.4	23.9
Cash flows from operating activities	334.0	115.5	278.7

Non-cash transactions
On 14 February 2018, the Company declared a dividend in an amount of $164.9 million ($1.4479 per share). The dividend was paid to shareholders on 23 July 2018.

NOTE 12- FINANCIAL RISK MANAGEMENT

Financial risks arising from financial instruments are analysed into market, credit, concentration and liquidity risks. These condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements. Details of how these risks are managed are discussed in the financial risk management note of the 2017 Plus500 Ltd Annual Report.

There has not been a significant change in the Group's financial risk management processes or policies since the year end.

NOTE 13- SUBSEQUENT EVENTS

On 10 August 2018 the Company declared a dividend in an amount of $157.0 million ($1.3786 per share). The dividend is due to be paid to the shareholders on 22 November 2018.