

+ London

+ Tel Aviv

+ Cape Town

+ Sydney

+ Singapore

+ Limassol

Plus500 Limited

2017

ANNUAL REPORT AND ACCOUNTS

Plus⁺500
World's Trading Machine

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 individual customers to trade CFDs internationally over more than 2,200 different underlying global financial instruments comprising equities, indices, commodities, options, exchange-traded funds ("ETFs"), cryptocurrencies and foreign exchange. The Company enables individual customers to trade CFDs in more than 50 countries and in 32 languages. The trading platform is accessible from multiple operating systems (Windows, smartphones (iOS, Android and Windows Phone), tablets (iOS, Android and Surface), Apple Watch and web browsers).

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, New Zealand, Israel, South Africa and Singapore. Customer care is integral to Plus500: customers cannot be subject to negative balances and there are no commissions on trades. Plus500 does not utilise cold calling techniques and does not offer binary options. A free demo account is available on an unlimited basis for platform users and sophisticated risk management tools are provided free of charge to manage leverage and stop losses to help customers protect profits and limit capital losses.



3%

7%

8%

26%

24%



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Plus500 Limited

2017 ANNUAL REPORT OVERVIEW



2017 HIGHLIGHTS

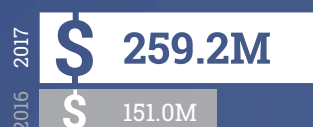
FINANCIAL HIGHLIGHTS

- Revenue increased 33% to \$437.2 million (2016: \$327.9m)
- EBITDA¹ was \$259.2 million (2016: \$151.0m)
- EBITDA Margin increased 29% to 59.3% (2016: 46.0%)
- Net profit was \$199.7 million (2016: \$117.2m)
- Earnings per share were \$1.75 (2016: \$1.02)
- Cash generated from operations was \$278.7m (2016: \$153.3m)
- AUAC² lower due to efficient and successful marketing strategy together with the popularity of our cryptocurrency CFDs offering which attracted new customers mainly in Q4 2017
- ARPU³ lower due to dilution from significant customer recruitment in Q4 2017

REVENUE



EBITDA



OPERATIONAL HIGHLIGHTS

- Continued to expand international footprint and diversify revenues through new licences in South Africa and Singapore
- Another record year of strong customer growth in excess of expectations, reflecting effective marketing and robust business model:
 - Active Customers⁴ increased 103% to 317,175 (2016: 155,956)
 - New Customers⁵ increased 136% to 246,946 (2016: 104,432)
- Maintained leadership in technology and product innovation:
 - Second largest CFD provider in the UK⁶
 - Highest rated mobile platform among CFD traders in Australia⁷
 - Leadership in technology and product innovation:
 - a majority of revenues and signups in 2017 (over 75%) originated from mobile devices, reflecting high speed of innovation
 - broad offering enables customers to participate in the volatility of multiple cryptocurrencies, without owning the underlying asset
 - maintained leadership as the highest rated app in its sector by customers on both Apple's AppStore and Google's Play Store
- Increased international brand awareness having renewed partnerships as official main sponsors of Club Atlético de Madrid and the Plus500 Brumbies

ACTIVE CUSTOMERS



NEW CUSTOMERS



¹ Earnings before Interest, Taxes, Depreciation and Amortization

² Average New User Acquisition Cost

³ Average Revenue per Active User

⁴ Customers who made at least one real money trade during the period

⁵ Customers depositing for the first time ever during the period

⁶ Investment Trends UK Leverage Trading Report, 2017

⁷ Investment Trends AU CFD Report, 2017

DIVIDENDS AND SHARE BUYBACK

- Total dividend payout of \$192.1 million, consisted of an interim dividend of \$27.2 million, a final dividend of \$92.6 million and a special dividend of \$72.3 million
- 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 share buyback programmes executed in 2017
- Together the dividends and buyback represent a total pay-out of 100% of the 2017 net profit
- Total distributions to shareholders in the five-year period since flotation, including dividends declared in February 2018, are \$530.9 million, more than double the market capitalisation at flotation of \$200 million

	2017	2016
DIVIDENDS PER SHARE (CENTS)		
Interim	\$0.2388	\$0.2324
Final	\$0.8129	\$0.3799
Special	\$0.6350	\$0.2729
TOTAL	\$1.6867	\$0.8852
DIVIDEND PAYOUT (\$M)		
Interim	\$27.2	\$26.7
Final & Special	\$164.9	\$75.0
TOTAL	\$192.1	\$101.7
SHARE BUYBACK PROGRAMMES EXECUTED (\$M)	\$7.5	
TOTAL RETURNS TO SHAREHOLDERS (\$M)	\$199.6	\$101.7

CHAIRMAN'S STATEMENT



"The Board is confident that Plus500's competitive advantages, including its technology leadership and agile business model, position it well to adapt rapidly to regulatory changes and to emerge a stronger business with an enhanced market position."

Penny Judd
Chairman

INTRODUCTION

In my first year as Chairman I am delighted to see the Company announced record results, continuing its exceptional track record of growth. A strong set of 2017 KPIs reflect the benefits of our investment in globalising Plus500's brand and our technology driven business model. Our most important financial measures, revenue, EBITDA and net profit, all grew significantly driven by record growth in New and Active Customers.

OUR COMPETITIVE ADVANTAGE

This performance is no accident; it is driven by the Company's superior technology, which is both a significant barrier to entry and a competitive advantage. It enables:

- a highly rated, user friendly trading platform delivered on the latest devices
- smart marketing technology to acquire higher value customers more cost effectively
- the introduction of new trading instruments more quickly than our competition
- rapid updates to our platform to comply with new regulations

Vitality, all our technology is delivered by Plus500 developers in-house and is based on proprietary technology supported solely by the Company's internal

technical expertise. This is more cost effective, more manageable and ensures we are first to market. This enables us to maintain our market leading growth.

REGULATION

Our industry remains closely scrutinised by global regulators. The Company welcomes many of the regulatory changes introduced in 2017 and being proposed for 2018, especially in Europe, and has continued to invest significant resources to ensure we continue to implement and maintain a compliant regulatory approach.

Plus500, backed by its financial resources, technological lead, geographically diversified revenues and agile business model, expects to be able to adapt rapidly to any regulatory changes that may be required.

DIVIDENDS AND SHARE BUYBACK

The Board introduced a share buyback programme for the first time in 2017 in addition to significant dividend distributions. Our strong financial performance has once again enabled the Board to propose substantial payouts to shareholders. The Board will continue to consider the optimal balance between dividends and share buybacks as excess funds are generated.

The Board has concluded that it is in shareholders' best interests to distribute 100% of 2017 net profits and therefore has declared a final dividend in respect of 2017 together with an additional distribution by way of a special dividend of \$192.1 million, which together with \$7.5 million the Company used in 2017 for share buybacks, equates to 100% of the 2017 net profit. The 2017 dividends equate to a total payment of \$1.6867 per share compared to \$0.8852 last year, an increase of 91%.

STRATEGY

We aim to strengthen the Company's position and restate Plus500's strategic goal of being the number one global listed CFD provider allowing us to continue to deliver exceptional shareholder returns. We seek to build the business by continuing investment in:

- gaining new operating licences in existing and new target territories, thereby increasing customer numbers and geographically diversifying our earnings
- further developing our technology thus ensuring we continue to be first to market and flexible in our approach
- further improving our customer service to deliver an excellent trading experience to our customers
- continuing marketing initiatives to enhance our brand globally and attract new, high value customers with good lifetime value
- ensuring regulatory compliance and rapid implementation of all required regulatory changes

OUTLOOK

The Board believes that the Company's strong financial position, geographically diversified revenues, advanced trading platform and flexible, low cost business model, continue to position it well for the future.

Penny Judd
Chairman

19 March 2018



CHIEF EXECUTIVE OFFICER'S REVIEW



"We enter 2018 confident we can continue to develop our business to achieve our strategic goal of Plus500 being the number one global listed CFD provider."

Asaf Elimelech

Chief Executive Officer

INTRODUCTION

We have had a very busy and successful year, reporting record revenues, profits and dividends. This success is based on our continuing focus on serving our customers' trading needs above all else. Our technology leadership enables us to provide a high-quality user experience, a comprehensive CFD offering and excellent customer service. These core characteristics, combined with our efficient marketing activity, has led to strong new customer sign ups, reduced churn and increased customer activity.

Our operating licences in the United Kingdom, Australia, Cyprus, South Africa, New Zealand, Israel and Singapore provide strong foundations for the business and we continue to seek to add more licences to enable our global expansion and further diversify our revenues.

We anticipate 2018 will be another year of change, especially once ESMA, the EU financial regulator, has published its consultation which is expected to result in changes across Europe. We are committed to complying with regulation and best practice customer protection in an ever-evolving regulatory environment and will continue to make the necessary adjustments to implement in full, and comply with, regulatory changes as they are announced.

We believe we are well placed to mitigate any negative impact of additional regulation given our robust and agile business model, our lean cost structure and our technology leadership. We support regulators' desire to promote a consistent set of conduct rules across all European jurisdictions which will ensure a more sustainable industry and believe we will remain one of the market leaders.

We remain committed to customer protection. Our trading platform provides all our customers a protection mechanism so they cannot be subject to negative balances. We do not charge commission on trades, and our revenues and profits, are derived from trading spreads and overnight charges, and not from customer losses. We also continue to offer an unlimited demo account for novice traders and have never offered customers binary options.

OPERATIONAL REVIEW

The Company's primary market is offering individual clients the ability to trade CFDs in global financial instruments comprising equities, indices, ETFs, commodities, options, cryptocurrencies and foreign exchange.

Customer service is integral to Plus500 and we have continued to invest in resources to ensure we remain a market leader. As a result of initiatives such as introducing 24/7 live chat which is available in ten languages and has reduced response times, customer satisfaction has improved markedly. This is reducing churn and increasing the longevity of customers, and ultimately their lifetime value.

The increased market volatility as a result of the geopolitical situation in Europe, as well as the changing global macro environment, has led to particularly strong trading in CFDs referencing commodities, equity instruments and cryptocurrencies. The increasing interest in the price movements and volatility of the latter resulted in both existing and new traders participating in these emerging asset classes as they were able to take part in a volatile market without the need to purchase the actual underlying cryptocurrency with its associated risk.

The Company's flexible business structure and in-house technology capabilities enable it to react rapidly and efficiently to such market trends and to offer its customers the opportunity to trade CFDs on emerging financial instruments, such as cryptocurrencies (the Company was the first in the market to offer CFDs on Bitcoin in 2013). This broad offering resulted in an increase in Active Customers and a stimulus to New Customer sign ups, especially during Q4 2017.

Overall cryptocurrency CFDs trading represented less than 15% of total revenues and Plus500 remains focused on risk management which includes setting appropriate risk and leverage for all the instruments traded on its platform; the Company continued to demonstrate the robustness of its risk and credit controls by reporting a consistently high level of profitable daily trading.

The Company had another very successful year in terms of its marketing activities, in particular significantly reducing its customer acquisition costs whilst continuing to acquire a record number of customers at a lower cost than in the past. In addition, we achieved our goal of acquiring more valuable customers – higher value, active traders with good lifetime value. This was achieved through an efficient and successful marketing strategy, proprietary technology leadership (which is another of the

Company's competitive advantages) and as a result of the popularity of our cryptocurrency CFDs offering, which attracted new customers mainly in Q4 2017. Offline, the sponsorship agreement with Spanish football club, Atlético Madrid, and with the leading Australian union rugby team, the Plus500 Brumbies, is accelerating and delivering brand building benefits to the business. In 2017, Plus500 extended these main sponsorship agreements for a further three seasons, thereby continuing the Company's strategy of increasing Plus500's brand recognition and expanding the Company's customer base globally.

This is in line with the Company's strategy of adding regulatory licences in new territories and further diversifying its geographical spread of revenues.

During 2017, the Group's Australian subsidiary was granted an additional licence by the South African regulator, the Financial Services Board ("FSB") and in February 2018, Plus500 added another licence to its portfolio following the grant of a second FSB licence to its South African subsidiary. In addition, Plus500 was also granted a capital markets services licence in 2017 by the Singapore regulator, the Monetary Authority of Singapore, which was subsequently supplemented in February 2018 by a commodity broker's licence from International Enterprise Singapore, allowing the offering of commodity based CFDs in Singapore.

The award of these new licences, alongside the existing UK, Cyprus, Australian, New Zealand and Israeli licences, demonstrates the Company's international presence, robust trading platform and its continued focus on best practice regulatory compliance.

For the future, the Company's strategy is to continue to seek additional regulatory approvals in jurisdictions that represent attractive commercial opportunities and where it can take advantage of its already well recognised brand.

RISK MANAGEMENT FRAMEWORK

Plus500's target audience is exclusively individual customers and the platform is not available to institutional or corporate traders. Plus500 offers its customers sophisticated risk management tools to manage their trading positions, where its customers cannot be subject to negative balances. As a result, Plus500 is less vulnerable as it is not dependent upon

a minority of large customers as no single customer contributed more than 0.4% of total revenue in 2017.

Additionally, the Company's risk management framework ensures that risk exposures are strictly limited resulting in consistent revenue generation with low volatility. The Company employs a combination of limits and internal hedging tools to ensure risk is managed by having a base of a very large number of small customers; monitoring exposure limits (by client, instrument and total exposure), with the ability to cap trades and hedge once limits are reached. Credit risk is limited by having all customers pre-fund their accounts, as well as a margin close-out policy, to minimise unfunded customer losses.

In addition, Plus500 does not offer CFDs in less liquid instruments, such as small cap stocks, which also limits its risk exposures.

As a result, Plus500's market risk framework is highly effective in ARPU and customers' lifetime value maximisation, whilst minimising losses. The worst and best daily revenues in 2017 were a loss of \$4.07 million and profit of \$10.48 million respectively. The average daily revenue in 2017 was \$1.17 million.

RESEARCH AND DEVELOPMENT

The Company continues to invest in R&D in order to maintain its competitive advantage and its ability to be first to market with new products and platform enhancements.

As the trading platform has been developed in-house and is based on proprietary technology that does not rely on third party software suppliers, we believe this is a significant competitive advantage and barrier to entry.

This structure contributes to expedited product development, such as advanced risk management tools and new financial instruments which were introduced to our customers during 2017. Further, it provides the Company with the ability to react quickly to dynamic market conditions (as evidenced by the Group's cryptocurrency offerings).

Additionally, the Company is ideally positioned to take advantage of the increased use of mobile, tablet and wearables devices for trading given the ease of use of

its trading platform and the continued enhancements being introduced.

During 2017, the Company has improved its 24/7 live chat which is available in ten languages, and its support has been significantly expanded to facilitate the increase in New Customers.

We are very pleased that the Company maintained its lead as the highest rated app in its sector by customers on both Apple's AppStore and Google's Play Store.

All developments are expensed as incurred and we will continue to work on further developments which are expected to improve customer sign ups and reduce churn.

OUTLOOK

We enter 2018 confident we can continue to develop our business to achieve our strategic goal of Plus500 being the number one global listed CFD provider. We will continue to invest to maintain our technological lead through innovation and development and following the recent grant of licences in South Africa and Singapore, we will continue to add new licenses across additional geographies to further diversify our customer base.

We are taking all necessary steps to comply with new regulatory requirements and believe that our strong financial position, geographically well diversified revenue base, advanced trading platform and flexible, low cost business model, position Plus500 to cope with any relevant changes and are expected to provide good shareholder returns despite continuing short term regulatory uncertainty.

Asaf Elimelech
Chief Executive Officer

19 March 2018



OUR STRATEGIC OBJECTIVES

BEING THE NUMBER ONE LISTED CFD PROVIDER

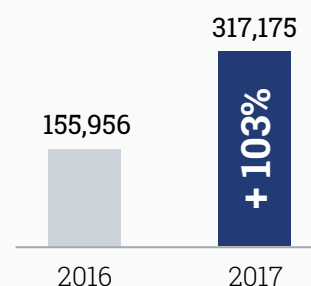
2017 ACHIEVEMENTS

- Increased our leading position in CFDs, with a record industry number of c. 317,000 Active Customers in 2017
- Record number of c. 247,000 New Customers (c. 150,600 in Q4 2017)
- Increased net profit margins

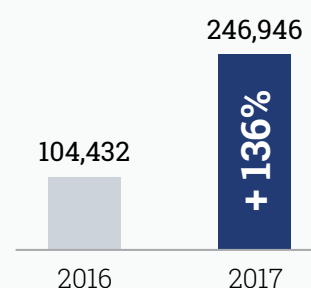
FUTURE GOALS

- Leverage international presence through marketing initiatives and continued sponsorship of Atlético Madrid FC and Plus500 Brumbies
- Explore new financial instruments
- Further expansion globally with new licences in new geographic jurisdictions
- Increasing ARPU and customer lifetime value
- Continue optimisation of marketing channels and increase the targeted level of ROI

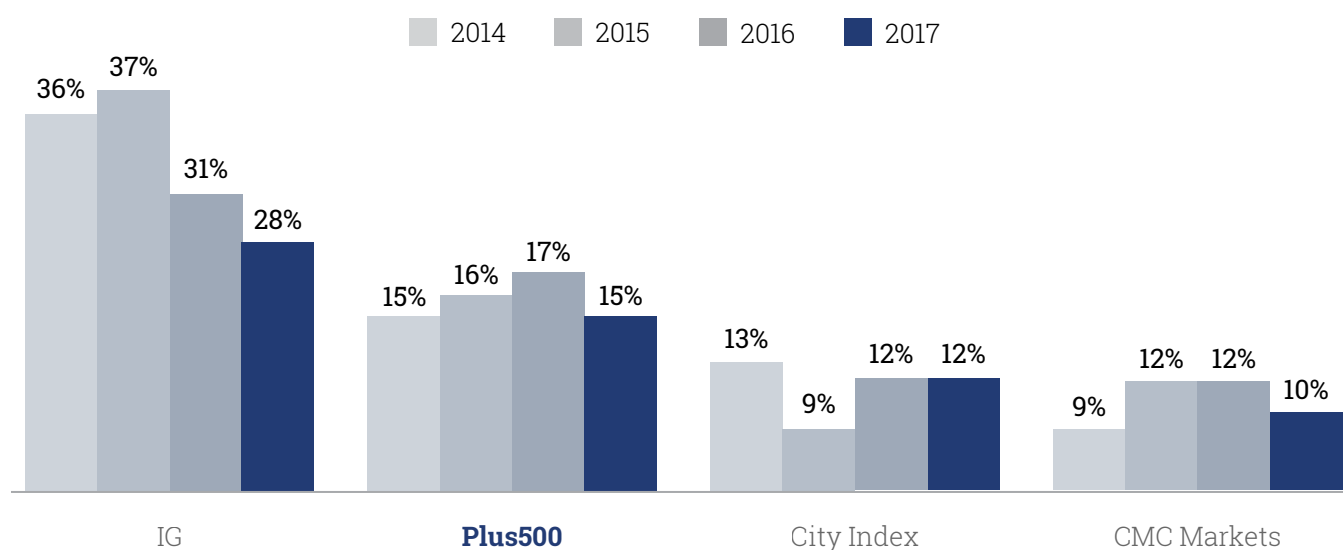
Number of Active Customers



Number of New Customers



Top CFD providers in UK by number of overall relationships



Source: Investment Trends UK Leverage Trading Report, 2017

CONTINUE TO PROVIDE HIGH QUALITY CUSTOMER SERVICE

2017 ACHIEVEMENTS

- Plus500 continues to lead the industry in mobile platform client satisfaction and maintains its lead position as being the highest ranked app in the sector by customers in both Apple's AppStore and Android's Google Play store
- Plus500 has invested resources to develop and enhance its customer service initiatives, including by introducing 24/7 live chat which is available in ten languages and has reduced response times resulting in an increased customer satisfaction
- Significantly reduced customer churn in the latter part of 2017 due to Q4 recruitment of new customers

FUTURE GOALS

- Optimise and support customers through the development of additional support tools
- Continue to provide excellent client service that will be available 24/7 and maintain a loyal customer base
- Continue the reduction of customer churn

EXPAND AND STRENGTHEN OUR GLOBAL REACH

2017 ACHIEVEMENTS

- Plus500 obtained new licences in South Africa for its Australian subsidiary and for its South African subsidiary, as well as two licences in Singapore

FUTURE GOALS

- Increase customer base through the addition of new licenses in new geographies
- Continue to diversify already geographically well spread revenues

INNOVATIVE AND LEADING TRADING PLATFORM

2017 ACHIEVEMENTS

- Launch of new Plus500 website designed to be more user-friendly and easy to use, with improved user interface and user experience
- Launching new financial instruments
- Maintaining industry leadership in technology

FUTURE GOALS

- Continue to launch new financial instruments
- Maintaining industry leadership in technology

GROWING THE CUSTOMER BASE

2017 ACHIEVEMENTS

- Plus500 was once again the top industry performer in New Customer sign ups
- The Active Customer base increased to 317,175
- Attracted about 247,000 New Customers

FUTURE GOALS

- Enhance the brand in innovative, cost effective ways to increase awareness and attract new high value customers
- Continue the focus on attracting the right kind of customer: experienced traders with high lifetime value

CONTINUING TO TRADE PROFITABLY

2017 ACHIEVEMENTS

- Continued to invest in efficient marketing activity for additional growth and attracted both a high level of New and Active Customers at a much lower cost
- Another year of being profitable in every month

FUTURE GOALS

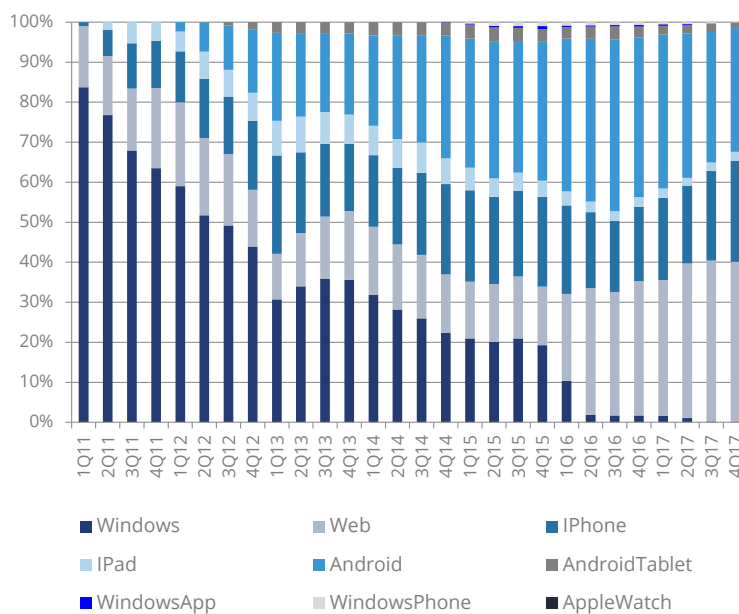
- Mitigate the impact of regulatory change on revenues and profitability
- Seek new geographical sources of revenue
- Continue to provide good shareholder returns

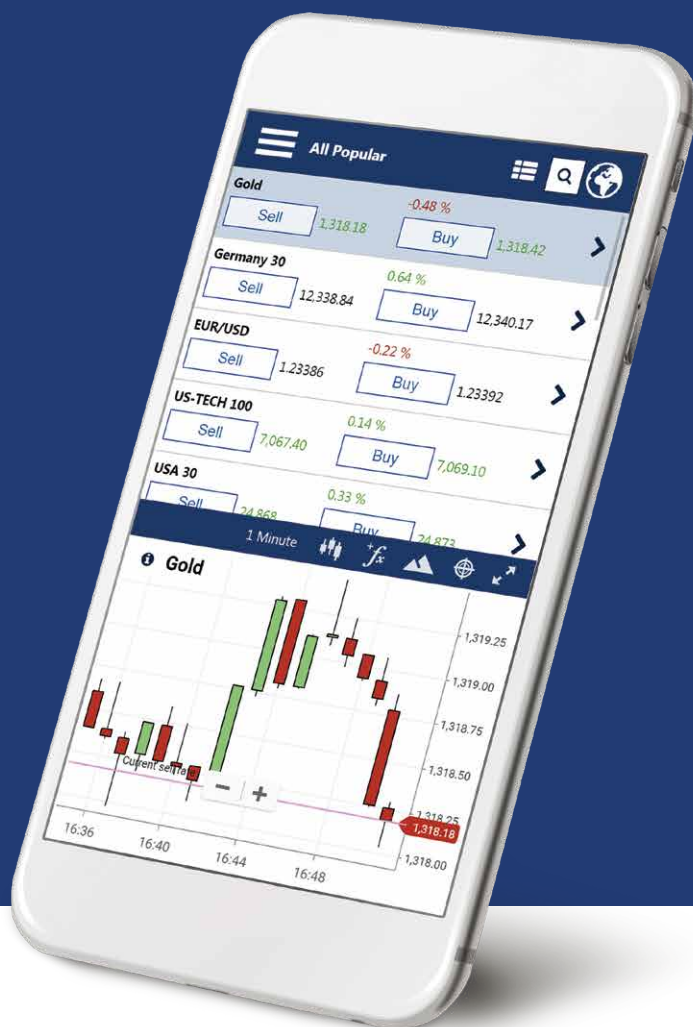
TECHNOLOGY EDGE

The growing importance of mobile technology within the CFD trading industry and the Group's leadership in this area continued to gather pace in 2017.

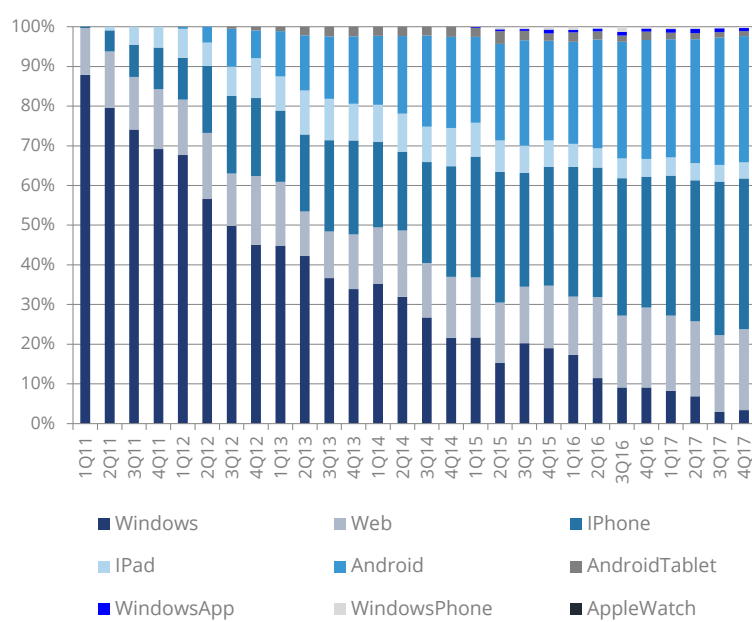
Plus500 is an industry leader in mobile client satisfaction, with over 75% of 2017 revenues and signups originated from mobile platforms for both smartphones and tablets reflecting speed of innovation compared to competitors. The Plus500 mobile app has consistently maintained its lead as the highest ranked app in the sector with an average rating of 4.2 out of 5 in both Apple's AppStore and Android's Google Play store.

Number of Signups by Device





Revenues by Device





"We operate a very efficient financial model – highly automated with low costs, which enables us to achieve some of the highest EBITDA margins in the industry."

Elad Even-Chen
Chief Financial Officer

INTRODUCTION

I am delighted to report a strong year with record results in all financial KPIs. Revenues and EBITDA have increased by 33% and 72% respectively. EBITDA Margin increased by 29% thanks to the continued optimisation of our marketing spend which contributed to a record low Average User Acquisition Cost.

Total Dividend per Share increased by 91%. Total capital returns to shareholders amount to 100% of the 2017 net profit, reflecting a 96% increase compared to 2016.

In 2017, as in 2016 and 2015, overall there were no net revenues from client losses and Plus500 earned the vast majority (89%) of its revenues from trading spreads and overnight charges (11%). This reflects the efficiency and robustness of our risk management systems and controls as we do not rely on client losses to generate our revenues.

We continue to maintain a very healthy and efficient business model. The overall variable costs ("Advertising and marketing costs" and "Processing costs") represented 75% of the Company's total expenses in 2017, reflecting a lean cost structure.

Further to the grant of new regulatory licences in South Africa and Singapore during the last year, we

continue to seek to add more licences to enable our global expansion and further diversify our geographical revenue split.

The Company continued to maintain a healthy balance sheet with financial performance ahead of market expectations.

REVENUE

2017 was a record year of revenues for Plus500. Revenues totalled \$437.2 million (FY 2016: \$327.9 million), an increase of 33%. The results benefited from the scalability of the Company's business model with the combination of revenue growth and further improvements in the operational cost structure delivering excellent performance.

EBITDA

EBITDA in 2017 was \$259.2 million (FY 2016: \$151.0 million), an increase of 72%, with EBITDA margins increasing from 46% in 2016 to 59.3% in 2017. Net profit for 2017 increased 70% to \$199.7 million (FY 2016: \$117.2 million). Earnings per share were \$1.75 (FY 2016: \$1.02).

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses increased by only 1% to \$178.7 million (FY 2016: \$177.4 million), despite the 136% increase in the volume of New Customers with their associated related processing costs. Revenue-driven costs comprise mainly of advertising and marketing costs.

PRESENTATION OF CURRENCIES

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

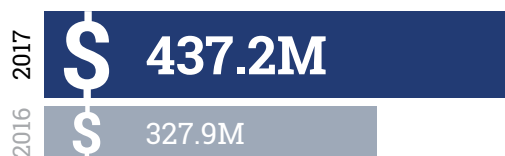
In 2017, the Company's net financial expenses amounted to \$5.1 million (FY 2016: financial income, net \$1.5 million), the majority arising from foreign exchange and translation differences. This represents an efficient financial performance in light of the significant foreign exchange volatility which occurred in 2017. A significant proportion of the Company's cash is held in US dollars in order to provide a natural hedge to reduce the impact of currency movements on financial expenses.

BALANCE SHEET

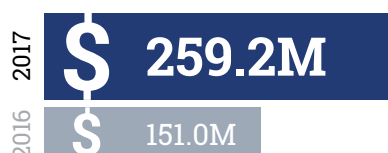
Plus500's total assets in FY 2017 were \$271.6 million, an increase of 76% from \$154.7 million in FY 2016; cash balances increased to \$241.8 million (FY 2016: \$136.5 million) as a result of the Company's exceptional dividend distribution (amounting to the payment of \$102.2 million in 2017 compared to \$123.3 million in 2016); and equity was \$225.9 million (FY 2016: \$136.0 million), representing approximately 83.2% of the total shareholders' equity and liabilities on the statement of financial position.

One of the strengths of Plus500's business model is its ability to convert net earnings into cash flow. Deposits are collected in advance from customers and these deposits and the outcome of the customers' trading activity is immediately reflected in their regulated segregated accounts, which are not part of the cash balances of the Company. Earnings from these customer trades are recognised in cash on the Company's statement of financial position as customers' trading activity occurs and amounts are

REVENUE



EBITDA



NET PROFIT



TOTAL DIVIDEND PER SHARE



transferred from or to the Company's accounts. In addition, the Company requires relatively low levels of capital expenditure. The combination of these features means that a high proportion of net income is rapidly converted into cash. In 2017 the Company generated \$278.7 million of cash from operations (FY 2016: \$153.3 million) resulting in cash and cash equivalent balances of \$241.8 million at 31 December 2017 (FY 2016: \$136.5 million).

In light of this strong cash generation, the Board will maintain the flexibility to pay special dividends and undertake share buybacks when the Company generates surplus cash and the Board feels it appropriate to make such payments.

Client funds are maintained in segregated accounts with tier one banks and are subject to annual audit and certification in line with best practice; these amounted to \$157.6 million (FY 2016: \$62.4 million) and this growth reflected the increased number of customers.

DIVIDENDS AND SHARE BUYBACK

Given the strong financial performance, the Board has considered the Group's dividend policy, and in particular the optimal balance between allocating surplus funds to the payment of ordinary and special dividends or share buybacks. The Board will consider whether to undertake share buybacks in the future and has the power to implement them at short notice.

The Board has concluded that it is in shareholders' best interests to distribute 100% of 2017's net profits (\$199.6 million) and therefore it declared a final dividend in respect of 2017 together with an additional distribution by way of a special dividend.

As announced in February 2018, the Board was pleased to declare a final dividend for the year ended 31 December 2017 of \$0.8129 per share (final dividend 2016: \$0.3799 per share), with an ex-dividend date of 22 February 2018, a record date of 23 February 2018 and a payment date of 23 July 2018. This makes a total dividend for the year of \$1.0517 per share (total dividend for 2016: \$0.6123 per share). This equates to a total dividend pay-out of \$119.8 million or 60% of net profit for the year, in line with the Company's stated policy.

In addition to the above, the Board has declared a special dividend of \$0.6350 per share (special dividend 2016: \$0.2729 per share) amounting to a payout of \$72.3 million (FY 2016: \$31.4 million). The ex-dividend, record and payment dates of this special dividend will be as for the final dividend noted above.

The resulting total distribution to shareholders for the full year will therefore be \$1.6867 per share (FY 2016: \$0.8852 per share) amounting to a payout of \$192.1 million (FY 2016: \$101.7 million). In addition, the Company used \$7.5 million in 2017 for share buybacks. The dividends together with the share buybacks amount to 100% of the 2017 net profit.

Total distributions to shareholders, including those declared in February 2018, in the five-year period since flotation will be \$530.9 million, which exceeds the market capitalisation at flotation of \$200 million.

Elad Even-Chen
Chief Financial Officer
19 March 2018

The table below shows the consolidated audited results of the Company for the two financial years ended 31 December 2017:

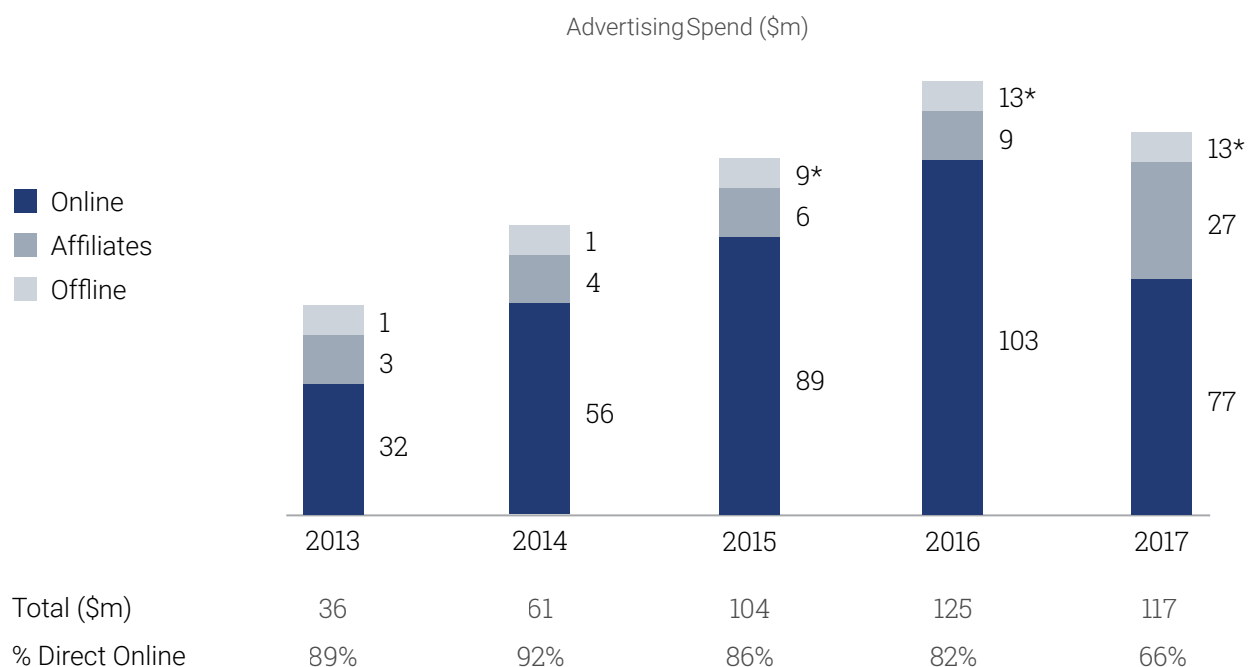
	2017 (\$'000)	2016 (\$'000)
Revenue	437,238	327,927
EBITDA	259,198	150,997
Profit before Tax	253,358	151,982
Net Assets	225,927	136,000

The table below shows the consolidated audited cash flows of the Company for the two financial years ended 31 December 2017:

	2017(\$'000)	2016 (\$'000)
Net cash provided by operating activities	211,978	108,907
Net cash provided by (used in) investing activities	(1,024)	(2,205)
Net cash used in financing activities	(109,748)	(123,264)

Significant Investment in Marketing

Focus remains online but Plus500 will continue to explore offline opportunities



* Majority is Atlético de Madrid FC sponsorship deal

STRONG PRODUCT PLATFORM

MARKET LEADING TECHNOLOGY

Proprietary technology, developed in-house: A key differentiator within the market practice



"Marketing Machine"

efficient acquisition of
new customers



Back Office



Hedging and Risk



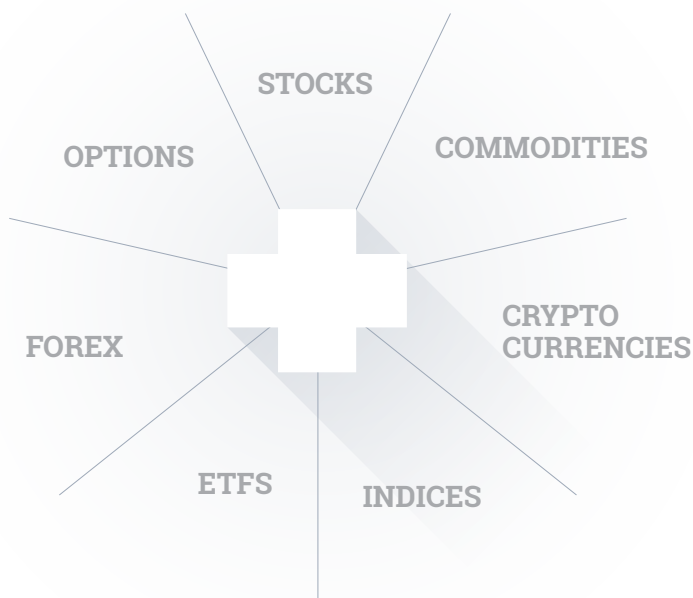
Affiliate Programme

CFD FINANCIAL INSTRUMENTS

Over 2,200 CFD financial instruments

PLATFORM AND DEVICES

Supporting 32 languages in
more than 50 countries



iOS DEVICES

ANDROID DEVICES

WINDOWS PHONE

WEBTRADER

DESKTOP TRADER

WINDOWS 10



User Interface

consistent experience
across all platforms



System Architecture

rapid product
development



Fraud Management

low chargeback ratio



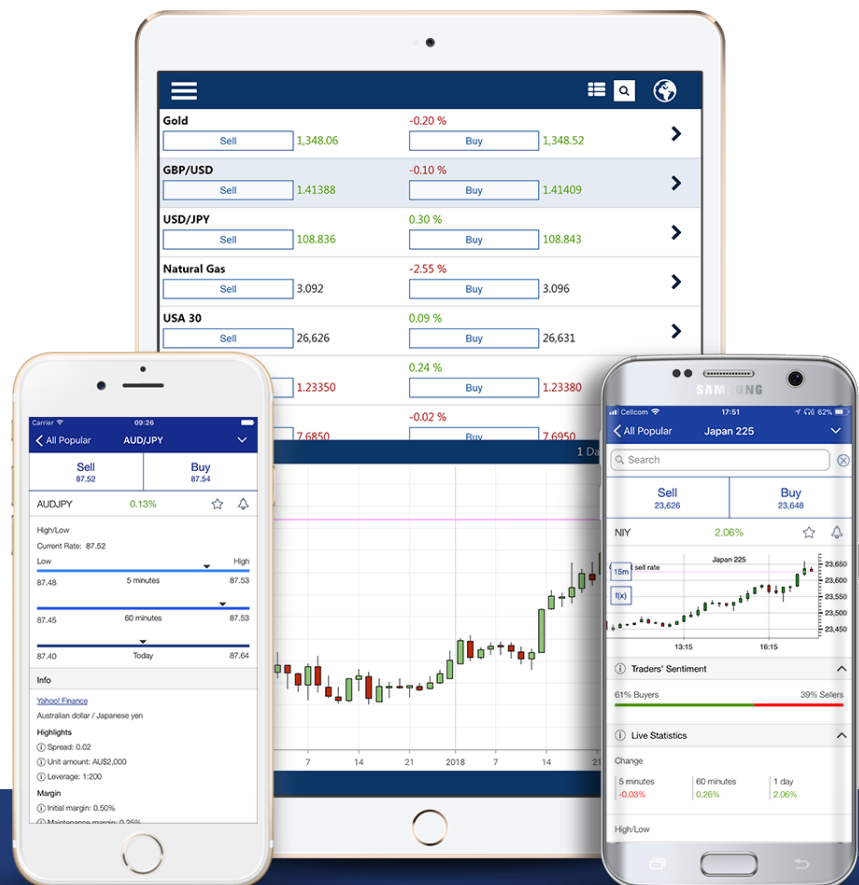
Payment Interface

localised payment
methods

TRADING PLATFORM

All customers are protected
from negative balance

INDIVIDUAL CUSTOMERS ONLY





Plus500

**MAIN SPONSOR OF
ATLÉTICO DE MADRID**

SPONSORSHIPS

In January 2015 Plus500 announced a business partnership via a sponsorship agreement with the Spanish football club, Atlético de Madrid FC, SAD. In June 2015 the Company announced that it had become the main sponsor for the 2015/16 and 2016/17 seasons and in January 2017 the partnership was renewed for 2017/18 season. In November 2017 Plus500 extended the sponsorship agreement entitling it to advertise and promote itself as the main sponsor of the club for the 2018/2019, 2019/2020 and 2020/2021 seasons.

Atlético de Madrid FC is one of the most successful clubs in Europe and is currently ranked second in the UEFA rankings for club competitions. Atlético de Madrid FC plays in La Liga, one of the most popular leagues in the world, which is the top professional association football division of the Spanish football league system



and the club also regularly participates in European tournaments such as the UEFA Champions League, the most prestigious club competition in Europe.

Atlético Madrid has won ten La Liga titles. The club has also won the Copa del Rey on ten occasions along with other Spanish cup competitions. It is also one of the most successful clubs in Europe having won the UEFA Super Cup in 2010 and 2012, and being runner up in the 2013/14 and 2015/16 UEFA Champions League.

This partnership with Atlético Madrid, one of the most successful clubs in Europe that plays in one of the most popular leagues in the world, is helping Plus500 to further its strategy of increasing brand recognition and expanding its customer base globally.



SPONSORSHIPS



In December 2016 Plus500 announced a business partnership via a sponsorship agreement with the Australian professional rugby union team, the Brumbies. In November 2017, Plus500 announced it will continue to be the Official Sponsor of the Brumbies for the 2018-2020 seasons.

The Brumbies is an Australian professional rugby union team based in Canberra that competes in the Super Rugby competition and is a member of the Australian Rugby Union.

This sponsorship complements the Company's new licences in South Africa, which is one of the countries participating in the Super Rugby competition, and its existing licences in Australia and New Zealand.



Super Rugby is the pre-eminent professional men's rugby union competition in the Southern Hemisphere and Japan featuring teams from Australia, South Africa, New Zealand, Argentina and Japan. The Brumbies are the current champion of the Australian conference of Super Rugby and are also one of the most successful of the Australian teams, having been the Super Rugby champions in 2001 and 2004.

Together both sponsorships have been highly successful increasing brand recognition with the Company's global customer base and target markets.





Plus500 Limited

DIRECTORS AND GOVERNANCE



BOARD OF DIRECTORS



**PENNY JUDD,
CHAIRMAN AND NON-EXECUTIVE
DIRECTOR, 54**

Ms. Judd is a non-executive Director, chairman of the Company and chairman of the Regulatory and Risk Committee. She is a chartered accountant with over 30 years of experience in Compliance, Regulation, Corporate Finance and Audit.

Ms. Judd was Managing Director and EMEA Head of Compliance at Nomura International Plc, a position she held for three years until June 2016. Prior to this Ms. Judd worked at UBS Investment Bank for nine years also as Managing Director, EMEA Head of Compliance.

Ms. Judd began her professional career at KPMG where she qualified as a chartered accountant. She left KPMG to join the UK Listing Authority, where she managed the Equity Markets Division responsible for admission of companies to the Official List and AIM and regulation of listed companies. In 2000, Ms. Judd joined the Corporate Finance team at Cazenove & Co focusing on bringing companies to the main market as well as advising on M&A and capital raisings.

Ms. Judd is currently a non-executive director of TruFin plc and Alpha Financial Markets Consulting plc.



**CHARLES FAIRBAIRN,
SENIOR NON-EXECUTIVE DIRECTOR AND
EXTERNAL DIRECTOR, 56**

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 18 years including Research Now Ltd, the online research company of which he was a founder investor, StatPro Group plc, a provider of 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 19 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.



**STEVE BALDWIN,
NON-EXECUTIVE DIRECTOR, 49**

Steve Baldwin is a non-executive Director. Mr. Baldwin has an extensive corporate finance background and most recently held the position of Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until February 2015 when he decided to pursue a non-executive career. Prior to this Mr. Baldwin was a Director at JPMorgan Cazenove for ten years and was a Vice President of Corporate Finance at UBS from 1995 to 1998. He qualified as a Chartered Accountant at Coopers & Lybrand. Mr. Baldwin was appointed to the Board in June 2017.

Mr. Baldwin is currently a non-executive director of Elegant Hotels Group plc and TruFin plc.



**DANIEL KING,
NON-EXECUTIVE DIRECTOR AND EXTERNAL
DIRECTOR, 52**

Daniel King is a non-executive Director and chairman of the Remuneration Committee and Nomination Committee. Mr. King has over 19 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 is currently the President & COO for Profitero, a SaaS provider of online insights and e-commerce intelligence for retailers and brands. Previously Mr. King worked 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 held Managing Director roles with Compete, a WPP company; MySupermarket.co.uk; and Experian Hitwise, overseeing the company's EMEA operations and was a key member of staff that led to the eventual acquisition of Hitwise by Experian in June 2007.

Mr. King is also a non-executive Director of several public and private companies and advises companies on their business model, growth strategies, and international expansion plans.



**GAL HABER,
MANAGING DIRECTOR & DIRECTOR, 43**

Gal Haber has nearly 19 years' experience in software programming and business development. As one of the founders of Plus500, he currently holds the position of Managing Director of the Company, having previously held the position of Chief Executive Officer. He led the design of the user-friendly trading platform, which represents one of the key competitive advantages for the business.

Prior to founding Plus500, Mr. Haber served as Chief Operating Officer of InterLogic Ltd, a 'skilled games' programme provider for the internet, digital television and mobile devices, which he co-founded in 2004. Previously, Mr. Haber worked for Top Image Systems Ltd, the enterprise content management specialist. Mr. Haber holds a B.Sc. in Computer Science from the Technion, Israel.



**ASAF ELIMELECH,
CHIEF EXECUTIVE OFFICER & DIRECTOR, 37**

Asaf Elimelech is the Chief Executive Officer of the Company. He previously served as the CEO of Plus500AU Pty Ltd. and has worked for the Plus500 Group since 2012. In his previous role as the Company's Chief Subsidiaries Officer, he was responsible for managing the Company's subsidiaries, working with the senior management team to ensure that the Group, via its subsidiaries, was meeting its strategic goals.

Prior to joining Plus500, Mr. Elimelech was a supervisor at PwC Israel from 2008 to 2012, specialising in biotech and commercial audit, as well as providing tax services to clients. As part of his role he managed several audit teams and was responsible for the preparation of financial reports for private and international public companies. Mr. Elimelech holds a B.A. in Accounting and Economics from Haifa University and is a certified accountant in Israel.



**ELAD EVEN-CHEN,
CHIEF FINANCIAL OFFICER, VP BUSINESS
DEVELOPMENT & DIRECTOR, 32**

Elad Even-Chen is the Group Chief Financial Officer, VP Business Development and Head of IR. Mr. Even- Chen's responsibilities cover a broad range of finance, business and strategic functions including managing the Group finance departments, the global legal and corporate aspects alongside Plus500's strategic business development projects and their financial angles. Mr. Even-Chen joined the Group in 2011.

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.

BOARD OF DIRECTORS

The Board is responsible to shareholders for effective direction and control of the Company which is aimed to provide a long-term success for the Company. In order to lead the development of the strategy of the Company and the progress of financial performance, the Board is provided with timely and comprehensive information that enables the Board to review and monitor the performance of the Company and to ensure it is in line with the Company's objectives in order to achieve its strategic goals.

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").

BOARD COMPOSITION

On 19 March 2018 the Board is comprised of three executive directors, Gal Haber, Asaf Elimelech and Elad Even-Chen, and four non-executive directors, Penny Judd (Chairman of the Board), Charles Fairbairn (Senior Non-Executive Director), Daniel King and Steve Baldwin. The balance between executive and non-executive directors do not allow any group to dominate the Board's decision making.

In accordance with the Companies Law, the Board must always have at least two external directors who meet certain statutory requirements of independence (the "External Directors"). The Company's External Directors are currently Charles Fairbairn and Daniel King. The term of office of an External Director is three years, which can be extended for two additional three-year terms. Under the Companies Law, External 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 External Director and the Audit Committee and Remuneration Committee must each include all of the External Directors (including one External 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.

Collectively, the non-executive directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims. The effectiveness of the Board benefits from the following skills and experience which is currently on the Board: financial services, finance and accounting, governance and regulatory, research and development, technology and CFD and financial instrument expertise.

OPERATION OF THE BOARD

The Company Secretary, Dana Comber, is responsible for ensuring that the Company complies with the statutory and regulatory requirements and maintains high standards of corporate governance. She supports and works closely with the Chairman of the Board, the Chief Executive Officer and the Board committee chairs in setting agendas for meetings of the Board and its committees and supports the transfer of timely and accurate information flow from and to the Board and the management of the Company. Ms. Comber is a certified lawyer in Israel.

The Board holds its meetings in accordance with its scheduled calendar. Since the beginning of 2017 the Board met on 12 occasions. Each Board meeting is preceded by a clear agenda and any relevant information is provided to directors in advance of the meeting. In addition, the Board convene occasionally for additional updates and conversations on ad-hoc emerging matters that arise in between the scheduled Board meetings.

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 to the directors training sessions via internal meetings, presentations and conversations which are being conducted by Company advisors, management and other relevant persons during the year in order to enable greater awareness and understanding of the Company's business and the environment in which it operates.

The Company has established properly constituted Audit, Remuneration, Nomination, Regulatory and Risk and Disclosure Committees of the Board with formally delegated duties and responsibilities.

BOARD EVALUATION

The performance of the Board, the Board committees and the individual Board members is self-assessed on an evaluation of Board performance survey conducted on an annual basis via questionnaire and Board discussion. Following a Board review of the results arising from the questionnaire, appropriate actions are taken in order to address the areas which could be improved upon to increase Board effectiveness.

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.

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 Board's approval. The transaction must not be approved if it is not in the Company's best 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 a 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, Asaf Elimelech, and Chief Financial Officer, 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, Nomination and Regulatory and Risk 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), 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.

INTERNAL CONTROLS

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. The Company's organisation 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;
- the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

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 Brightman Almagor Zohar & Co. (Deloitte Israel) a member firm of Deloitte Touche Tohmatsu Limited.

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.

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.

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.

AUDIT COMMITTEE

Responsibilities

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, Brightman Almagor Zohar & Co. (Deloitte Israel), and the 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 whistle-blower procedures.

Composition

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, Steve Baldwin 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.

Main activities

The committee met on six occasions since the beginning of 2017. Among others, the committee reviewed the financial performance and financial statements of the Company, reviewed an assessment of the control environment, via internal audit reports, and progress on implementing both internal and external audit recommendations, monitored and reviewed the internal audit function's effectiveness in the overall context of the Group's internal controls and risk management systems.

NOMINATION COMMITTEE

Responsibilities

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.

Composition

The UK Corporate Governance Code recommends that a majority of members of the nomination committee should be independent non-executive directors. The Nomination Committee in 2017 comprised Daniel King, Gal Haber and Charles Fairbairn and is chaired by Daniel King.

Main activities

The committee met on five occasions since the beginning of 2017 in relation to the appointment of Steve Baldwin as a non-executive director, the appointment of Penny Judd as Chairman of the Board, the re-election of Penny Judd, Gal Haber, Asaf Elimelech and Elad Even-Chen as directors, for review of the Company's succession plan, organisational structure and senior leadership and for review of Board composition. In accordance with the Companies Law, the term of office of Charles Fairbairn and Daniel King, the Company's External Directors, continues until July 2019, and therefore they are not standing for re-election at the 2018 Annual General Meeting.

REGULATORY AND RISK COMMITTEE

Responsibilities

The Regulatory and Risk Committee has responsibility for providing oversight with respect to current and potential future risk exposures of the Company and for overseeing and monitoring the Company's compliance with laws, regulations and orders as required. Its activity includes reviewing relationships with regulatory authorities such as FCA, ASIC, CySEC, FSB, FMA, ISA, MAS, IE Singapore and other regulatory authorities, as appropriate, in jurisdictions where the Company has a significant presence; reviewing risk assessment programme and internal controls and risk management.

Composition

The Regulatory and Risk Committee comprises Charles Fairbairn, Penny Judd, Asaf Elimelech and Elad Even-Chen, and is chaired by Penny Judd.

Main activities

The committee met on four occasions since the beginning of 2017 to review the Group's relationships with regulatory authorities, to review licence applications submitted during the period, and to review risk

assessment programmes and internal controls and risk management.

DISCLOSURE COMMITTEE

Responsibilities

The Disclosure Committee is responsible for assisting the Board in fulfilling its responsibilities in respect of the requirement to make timely and accurate disclosure of all information that is required to be disclosed to meet legal and regulatory obligations, including compliance with MAR.

Composition

The Disclosure Committee comprises Charles Fairbairn, Asaf Elimelech and Elad Even-Chen and is chaired by Elad Even-Chen.

Main activities

The committee met on six occasions since the beginning of 2017 to discuss the content of the announcements proposed to be released to the Stock Exchange and approve their content where relevant. .

REMUNERATION COMMITTEE

Responsibilities

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, as detailed in the Remuneration Report on pages 41 to 42 of the Annual Report..

Composition

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 Steve Baldwin and is chaired by Daniel King and operates under written terms of reference.

Main activities

The Remuneration Report on page 41 contains a detailed description of the Company's remuneration policy. The committee met on six occasions since the beginning of 2017.

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, in 2017 the committee, together with an external dedicated consultant, continued to review the Company's remuneration practices in relation to the Board's risk appetite statements ensuring that remuneration does not encourage excessive risk-taking, and approved and recommended changes to the remuneration of the executive and non-executive directors. 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.

Further, the committee reviewed and recommended to amend the Company's Remuneration Policy for Directors and Executives, which was amended and approved by the Company's shareholders at the Extraordinary Shareholders Meeting held in January 2018.

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 has included 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 2016 and 2017 (the fees paid to executive Directors during 2016 and 2017 represent the full amount accrued to them).

The remuneration of the Directors in 2017 (including directors who resigned from the Board during 2017) was as follows:

		2017 Fees (\$)	2016 Fees (\$)
1	Alastair Gordon ⁱ	45,042	92,813
2	Penny Judd ⁱⁱ	96,758	36,934
3	Charles Fairbairn	85,497	72,747
4	Daniel King	70,071	69,016
5	Steve Baldwin ⁱⁱⁱ	40,874	-
6	Gal Haber	347,252	377,545
7	Asaf Elimelech ^{iv}	2,772,376	524,319
8	Elad Even-Chen ^v	2,503,810	770,113

i. Mr. Gordon resigned from the Board in June 2017

ii. Ms. Judd joined the Board in June 2016, and was appointed as Chairman of the Board in June 2017

iii. Mr. Baldwin joined the Board in June 2017

iv. Mr. Elimelech joined the Board in February 2016

v. Mr. Even-Chen joined the Board in June 2016

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:

- recommending to the Board and the Company's shareholders a compensation policy for directors and executives and monitoring its implementation, which, in accordance with Israeli law, requires the approval of the Board and the Company's shareholders following the approval and recommendation of the Remuneration Committee
- 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

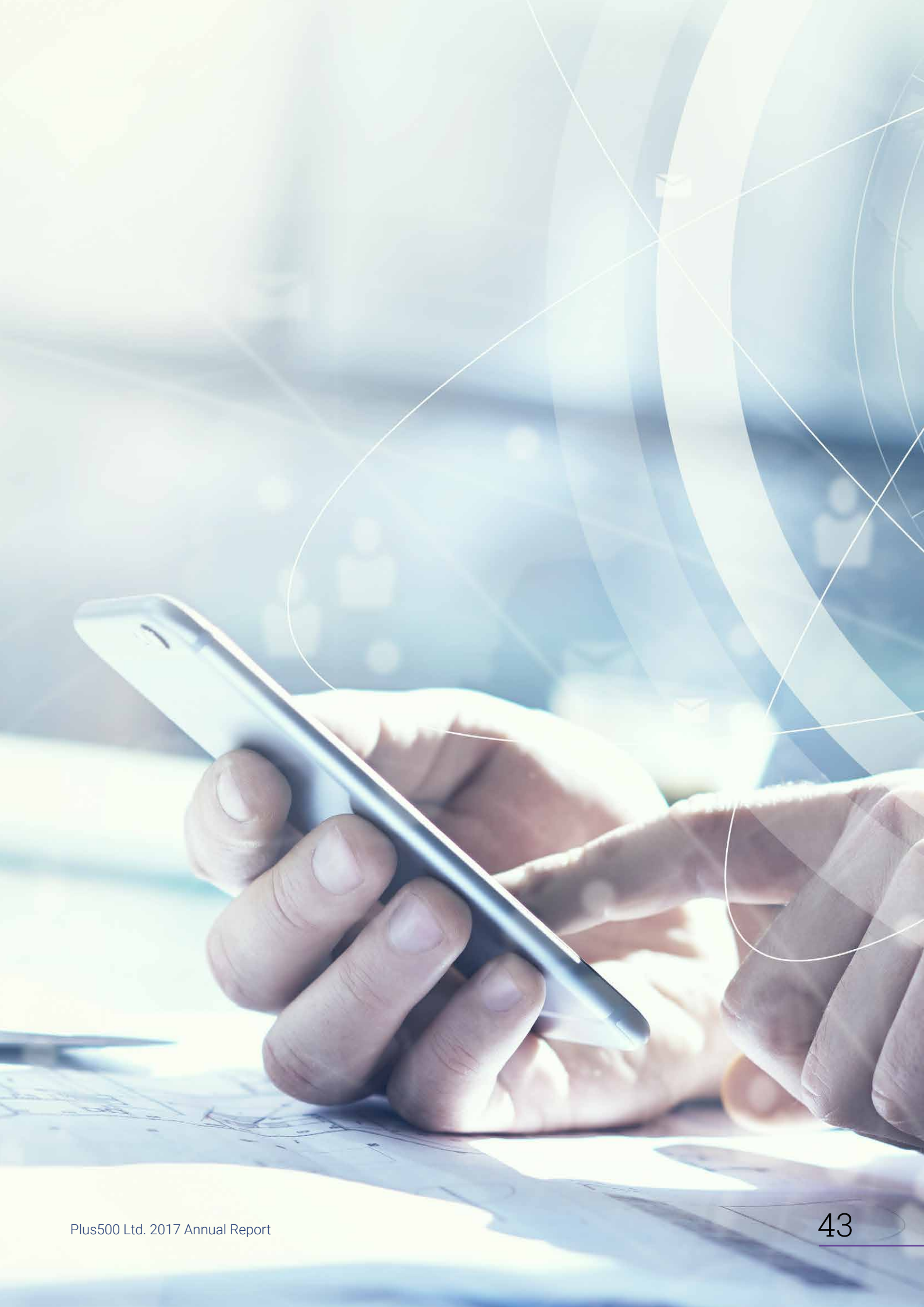
share awards, which, in accordance with Israeli law, requires the approval of the Board and the Company's shareholders following the approval and recommendation of the Remuneration Committee

- 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 Steve Baldwin and is chaired by Daniel King and operates under written terms of reference.

The remuneration of the Company's five most highly compensated executives in 2017 (including two of its executive directors) was as follows:

		2017 Fees (\$)
1	Asaf Elimelech	2,772,376
2	Elad Even-Chen	2,503,810
3	David Zruia	1,201,937
4	Omer Elazari	694,501
5	Sean Murphy	651,772



DIRECTORS' REPORT

ACTIVITIES

Plus500 has developed and operates an online trading platform for individual customers to trade CFDs internationally over more than 2,200 different underlying global financial instruments comprising equities, indices, commodities, options, exchange-traded funds ("ETFs"), cryptocurrencies and foreign exchange.

The Company enables individual customers to trade CFDs in more than 50 countries and in 32 languages. The trading platform is accessible from multiple operating systems (Windows, smartphones (iOS, Android and Windows Phone), tablets (iOS, Android and Surface), Apple Watch and web browsers).

The Company currently conducts operations in the European Economic Area ("EEA"), Gibraltar, Australia, South Africa, New Zealand, Israel, the Middle East and elsewhere. The Company has six subsidiaries which have been granted licences by regulators.

FCA - 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.

ASIC - 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.

CySEC - 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.

FMA - In October 2016, Plus500AU received authorisation from the Financial Markets Authority ("FMA"), the New Zealand government agency responsible for financial regulation to operate an online trading platform for individual customers to trade CFDs in New Zealand.

ISA - In October 2016, the Company's subsidiary in Israel, Plus500IL, received from the Israel Securities Authority ("ISA") a licence to operate an online trading platform for individual customers in Israel to trade CFDs.

FSB - In February 2017, the Financial Services Board ("FSB"), the South African authority that oversees the non-banking financial services industry, has granted Plus500AU a licence to operate an online trading platform for individual customers to trade CFDs in South Africa. In February 2018, the FSB has granted an additional licence to the Company's subsidiary in South Africa, Plus500SA.

MAS and IE Singapore - In December 2017, the Monetary Authority of Singapore ("MAS") granted a capital markets services license to Plus500SG, which was subsequently supplemented in February 2018 by a commodity broker's licence from International Enterprise Singapore ("IE Singapore"), allowing the offering of commodity based CFDs in Singapore.

BUSINESS REVIEW

For the operating and business review of the Company during the year please refer to the Chief Executive Officer's Review on pages 12 to 14 included within the Annual Report. For future developments please refer to the outlook section of the Chief Executive Officer's review on page 14.

FINANCIAL

The Company generates its revenues principally from the dealing spreads on the trading platform. Additionally, the Company generates revenues from overnight charges on certain positions held by customers overnight. In 2017, as in 2016 and 2015, the Company did not generate net revenues or losses from market P&L. The Company does not charge customers any commission on trades.

For financial review of the business during the year please refer to the Chief Financial Officer's Review on pages 20 to 23 included within the Annual Report.

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 "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:
317,175 (2016: 155,956)
- Number of New Customers:
246,946 (2016: 104,432)
- Average Revenue Per User (ARPU):
\$1,379 (2016: \$2,103)
- Average User Acquisition Cost (AUAC):
\$474 (2016: \$1,195)

DIVIDEND AND BUYBACK POLICY

The Board has considered the Group's dividend policy of 60% payout ratio with payment of special dividends and flexibility to share buyback as appropriate, and in particular the optimal balance between allocating surplus funds to the payment of ordinary and special dividends or share buybacks. The Board will consider to undertake buybacks in the future and has the power to implement them at short notice.

The Board has concluded that it is in shareholders' best interests to distribute 100% of 2017 net profits (\$199.6 million) and therefore declared a final dividend in respect of 2017 together with an additional distribution by way of a special dividend.

The Board has declared in February 2018 a final dividend out of the Company's net profits for the year ended 31 December 2017 of \$0.8129 per share (final dividend 2016: \$0.3799 per share), with an ex-dividend date of 22 February 2018, a record date of 23 February 2018 and a payment date of 23 July 2018. This makes a total dividend for the year of \$1.0517 per share (total dividend for 2016: \$0.6123 per share). This equates to a total dividend pay-out of \$119.8 million or 60% of net profit for the year, in line with the Company's stated policy.

In addition to the above, the Board has declared a special dividend of \$0.6350 per share (special dividend 2016: \$0.2729 per share) amounting to a payout of \$72.3 million (FY 2016: \$31.4 million). The ex-dividend,

record and payment dates of this special dividend will be as for the final dividend noted above.

The resulting total distribution to shareholders for the full year will therefore be \$1.6867 per share (FY 2016: \$0.8852 per share) amounting to a payout of \$192.1 million (FY 2016: \$101.7 million).

Total distributions to shareholders including those declared in February 2018 in the five-year period since flotation on July 2013 will be \$530.9 million, which exceeds the market capitalisation at flotation of \$200 million.

RESEARCH AND DEVELOPMENT

The Company's trading platform, which acts as a key differentiator and competitive advantage relative to its peers, has been specifically developed to be as intuitive and user friendly as possible providing customers with real-time prices, continuous monitoring of open positions and trading activity, execution facilities and a multitude of order types. In April 2017 the Company launched a new website designed to be more user-friendly and easy to use, with improved user interface and user experience, in order to create more enhanced customer service and increase satisfaction whilst creating greater web-site traffic and trading activity. 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 does not pay 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 and sophisticated risk management tools, 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. Plus500 is constantly updating and introducing new financial instruments. As a result of initiatives such as introducing 24/7 live

chat (in ten different languages), which has reduced response times, customer satisfaction has improved markedly. Plus500 has placed an increased level of focus and investment on customer satisfaction and customer service in order to retain customers whilst providing an additional strong differentiator in New Customer acquisition and retention. Some of the benefits are already being reflected by the satisfaction rate of the Group's customers which has increased significantly.

All developments are expensed as incurred and all IP in the platform belongs to the Company.

THE COMPANY'S SUPPLIER POLICY

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 2017 were 30 days (2016: 30 days).

EMPLOYEES

Plus500 is committed to the creation of a work environment in which fairness, trust and individual responsibility are valued. The Company believes 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 age, gender 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 grows its business 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.

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 19 March 2018, the Company had 113,908,231 ordinary shares in issue, and additional 980,146 ordinary shares are held in treasury by the Company. The Company does not currently have any share schemes.



SUBSTANTIAL SHAREHOLDINGS

As of 9 March 2018, 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:

	Significant Shareholders	% of Ownership of Shares
1	Brighttech Investments	9.99%
2	JPMorgan Chase & Co	7.79%
3	Sparta24 Ltd	7.45%
4	Odey Asset Management	6.29%
5	Morgan Stanley	5.82%
6	Old Mutual	4.36%
7	Investec Group	3.94%
8	Deutsche Bank	3.11%

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 Regulatory & Risk Committee, 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 71 to 75 and on pages 49 to 50 included within the Annual Report.

GOING CONCERN

The Directors, after considering the risks and uncertainties referenced in the previous section 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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in the second quarter of 2018. The exact date of the meeting and details of all resolutions to be proposed at the Annual General Meeting will be included in the Notice of Annual General Meeting to be circulated by the Company in due course.

EVENTS AFTER THE REPORTING PERIOD

For significant events after the reporting period please refer to Note 16 of the financial statements.

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 Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, the External Auditors. The Company's Auditors for the next year will be appointed in the 2018 Annual General Meeting which will be held in the second quarter of 2018.

Approved by the Board and signed on its behalf by

Elad Even-Chen,
Chief Financial Officer

19 March 2018

SIGNIFICANT RISK FACTORS AND UNCERTAINTIES

RISKS RELATING TO THE LEGAL AND REGULATORY FRAMEWORK APPLICABLE TO THE INDUSTRY IN WHICH THE GROUP OPERATES

- The vast majority of the Group's revenue depends upon the maintenance of licences from regulators.
- Non-compliance with the regulatory framework of jurisdictions in which the Group's offering is available could adversely affect the Group's profitability and may result in the suspension, revocation or amendment of its licences and/or other enforcement action.
- Increased regulatory scrutiny of the industry in which the Group operates could adversely affect the Group's revenue, business and profitability.
- Changes to the EU regulatory framework and current and proposed EU regulations and directives could restrict the Group's business, and the implementation of necessary changes to comply with them could place a significant demand on the Group's resources.
- The Group is required to conduct "appropriateness tests" on customers, and there can be no guarantee that the Group's assessments or tests of a customer's appropriateness for its product will be adequate in all or any particular jurisdictions or will not be subject to regulatory scrutiny or challenge.
- Operating online in different jurisdictions exposes the Group to a number of risks which may have a significant adverse effect on the Group's business and operations.
- The Group may not adequately discharge its obligations under anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations.
- Customer complaints may affect the Group's business and operations.
- The Group may be held liable for the activities of its affiliates under the "500Affiliates" programme.
- Laws, regulations or rules in the jurisdictions where the Group operates, or where its offering is available, could result in customer agreements being deemed unenforceable as against the customer.
- The Group must comply with data protection

and privacy laws and may be targeted by cyber criminals.

- Financial promotions regimes and other regulations may impact on the Group's ability to advertise.
- The Group is subject to rules regulating how it holds client money and the inability of the Group to address future changes to any applicable customer money regulations could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.
- The Group is dependent on banks, credit card companies, payment processors and financial institutions for payment processing and cash holding.
- The introduction of a European Financial Transaction Tax could adversely affect the Group's profitability.
- Changes in tax law could adversely affect the Group's profitability.

RISKS RELATING TO THE GROUP'S TRADING ACTIVITIES

- If the Group fails to attract New Customers its growth may be impaired.
- The Group faces risks associated with the implementation of its business strategy.
- The Group faces significant competition.
- Reduction in trading volume and market activity and low market volatility could harm the Group's profitability.
- Political and economic events within the EEA may harm the Group's operations.
- Any significant decline in the market for CFDs could significantly harm the Group's business.
- Any significant decline in the cryptocurrency market could significantly harm the Group's business.
- The Group's customer, geographical and product sector focus could leave the Group exposed to certain concentration risks.
- The Group may suffer losses if its reputation is harmed.
- The Group depends on its senior management team, and if it is unable to retain its current personnel and hire qualified additional personnel, its ability to implement its growth strategy and

compete in its industry could be harmed.

- Financial risk limitation policies, procedures and practices may not be effective and may leave the Group exposed to certain risks.
- Losses due to fraud and other misconduct by customers could have a material adverse effect on the Group's business.
- A reduction in the availability of credit and debit cards and alternative payment systems for customers of the Group's operations and/or complaints to credit and debit card providers and alternative payment system processors could damage the Group's business.
- The Group is exposed to litigation risk.

RISKS RELATING TO THE GROUP'S TRADING SYSTEMS

- Systems failures or delays could materially harm the Group's business.
- Network security breaches could result in the Group losing customers and being held criminally or civilly liable.
- In order to compete effectively, the Group must keep up with rapid technological changes and changes in its customers' requirements and preferences.
- The Group is partially dependent on third parties, including infrastructure suppliers, data providers and data sources, and online marketing service providers.
- The terms on which the Group has contracted with certain customers, affiliates and suppliers may not be standard.
- Any inability of the Group to protect or continue the current use of its proprietary intellectual property could adversely affect its business.

RISKS RELATING TO THE GROUP'S FINANCIAL CONDITION

- A referendum held in the UK on 23 June 2016 resulted in a vote in favour of the UK leaving the EU which could have a significant impact on the Group, the value of the Company's investments and the value of the Ordinary Shares.
- The Group's financial results may be adversely affected by currency fluctuations.

- The Group could be negatively affected by a significant macroeconomic or unexpected market event.
- The Group's insurance coverage may be inadequate to cover its losses in respect of claims made against the Group.

RISKS RELATING TO THE GROUP'S DOMICILE AND OPERATIONS IN ISRAEL

- Security, political and economic instability in the Middle East and Israel in particular may harm the Group's business.
- It may be difficult to enforce an English judgment against the Company or its officers and directors, to assert English securities claims in Israel or serve process on certain of the Company's officers and directors.
- The rights and responsibilities of the Company's shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under English law.
- The Takeover Code does not apply except to the extent certain share control limits analogous to the equivalent provisions of the Takeover Code have been incorporated into the Articles.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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
- 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.



MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE COMPANY'S ORDINARY SHARES

As the Company is incorporated in Israel, it is subject to Israeli law and the City Code on Takeovers and Mergers will not apply to the Company, except to the extent the Company incorporated in its Articles of Association provisions analogous to Rules 4, 5, 6 and 8 of the Takeover Code, as described below.

MERGERS

The Companies Law permits merger transactions, provided that each party to the transaction obtains the approval of its board of directors and shareholders (excluding certain merger transactions which do not require the approval of the shareholders, as set forth in the Companies Law).

Pursuant to the Company's Articles of Association, the shareholders of the Company are required to approve the merger by the affirmative vote of a majority of the outstanding Ordinary Shares of the Company. In addition, for purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, has voted against the merger.

The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that

the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

In addition, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares voted on the matter, as well as 75 per cent. of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

Under the Companies Law, in the event the Company enters into a merger or an "arrangement" under the Companies Law (as described above), the provisions of the Companies Law and the Articles of Association provisions analogous to Rules 4,5,6 and 8 of the Takeover Code (as described below) do not apply.

COMPANIES LAW - SPECIAL TENDER OFFER

The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of 25 per cent. or more of the voting rights in the Company. This rule does not apply if there is already another holder of at least 25 per cent. of the voting rights in the Company.

Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45 per cent. of the voting rights in the company, if there is no other shareholder of the

company who holds more than 45 per cent. of the voting rights in the company.

A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5 per cent. of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5 per cent. of the voting power attached to the company's outstanding shares will be acquired by the offeror and the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer. Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

ISRAEL COMPANIES LAW - FULL TENDER OFFER

Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90 per cent. of the company's shares or of any class of shares, unless the purchaser makes a tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the tender offer, either:

- the purchaser acquires more than 95 per cent. of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; or the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.
- the purchaser acquires more than 98 per cent.

of the company's shares or a particular class of shares; then, the Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95 per cent. or 98 per cent., as applicable, of the company's shares or class of shares, the purchaser may not own more than 90 per cent. of the shares or class of shares of the target company.

ARTICLES OF ASSOCIATION – TAKEOVER PROVISIONS

In addition to the tender offer rules applied by the Companies Law (as described above), offers are also subject to the takeover provisions incorporated in the Company's Articles of Association, which provisions are generally analogous to Rules 4, 5, 6 and 8 of the Takeover Code.



Plus500 Limited

FINANCIAL STATEMENTS



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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 2017 and 2016, and the related consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years in the period ended 31 December 2017. 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 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for each of the two years in the period ended 31 December 2017, in accordance with International Financial Reporting Standards (IFRS).

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers
International Limited
Tel Aviv, Israel
19 March 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December	
U.S. dollars in thousands	Note	2017	2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	10a	241,854	136,481
Short-term bank deposit		228	37
Restricted deposits	8	422	356
Accounts receivable	10b	7,696	9,690
Income tax receivable	7	17,190	4,147
		267,390	150,711
NON-CURRENT ASSETS:			
Long term restricted deposit	8	289	102
Property, plant and equipment, net	4	3,367	3,429
Intangible assets, net	5	84	113
Deferred income taxes	7	490	353
		4,230	3,997
TOTAL ASSETS		271,620	154,708

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(CONTINUED)

U.S. dollars in thousands	Note	As of 31 December 2017	2016
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Trade payables – due to clients	10c	4,482	1,588
Other accounts payable and accruals:	10d		
Service suppliers		22,614	5,827
Other		12,108	7,083
Income tax payable	7	2,318	1,912
Share-based compensation	9	4,171	2,298
		45,693	18,708
EQUITY:			
Ordinary shares		317	317
Share premium	6	22,220	22,220
Treasury shares		(7,536)	-
Retained earnings		210,926	113,463
TOTAL EQUITY		225,927	136,000
TOTAL EQUITY AND LIABILITIES		271,620	154,708

Asaf Elimelech

Chief Executive Officer

Elad Even-Chen

Group Chief Financial Officer

Penny Judd

Non-Executive Director and
Chairman

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

19 March 2018

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

U.S. dollars in thousands	NOTE	YEAR ENDED 31 DECEMBER	
		2017	2016
TRADING INCOME		437,238	327,927
SELLING, GENERAL & ADMINISTRATIVE EXPENSES:			
Selling and marketing	11a	156,001	157,277
Administrative and general	11b	22,733	20,132
INCOME FROM OPERATIONS		258,504	150,518
Financial income		3,242	3,624
Financial expenses		8,388	2,160
FINANCING INCOME (EXPENSES) – NET		(5,146)	1,464
INCOME BEFORE TAXES ON INCOME		253,358	151,982
TAXES ON INCOME	7	53,683	34,740
PROFIT FOR THE YEAR		199,675	117,242
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		199,675	117,242

U.S. dollars

EARNINGS PER SHARE (BASIC AND DILUTED)	15	1.75	1.02
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The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

U.S. dollars in thousands

	ORDINARY SHARES	SHARE PREMIUM	TREASURY SHARES	RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2016	317	22,220	-	95,117	117,654
Profit and comprehensive income for the year	-	-	-	117,242	117,242
TRANSACTION WITH SHAREHOLDERS-					
Dividend	-	-	-	(98,896)	(98,896)
BALANCE AT 31 DECEMBER 2016	317	22,220	-	113,463	136,000
Profit and comprehensive income for the year	-	-	-	199,675	199,675
TRANSACTION WITH SHAREHOLDERS-					
Dividend	-	-	-	(102,212)	(102,212)
Acquisition of treasury shares	-	-	(7,536)	-	(7,536)
BALANCE AT 31 DECEMBER 2017	317	22,220	(7,536)	210,926	225,927

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED 31 DECEMBER

U.S. dollars in thousands

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	278,683	153,294
Income tax paid – net	(66,514)	(44,548)
Interest (paid) received, net	(191)	161
Net cash provided by operating activities	211,978	108,907
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of deposits	(218)	-
Purchase of restricted deposits	(203)	(253)
Purchase of property, plant and equipment	(593)	(1,905)
Purchase of intangible assets	(10)	(47)
Net cash used in investing activities	(1,024)	(2,205)
CASH FLOWS FROM FINANCING ACTIVITIES-		
Dividend paid to equity holders of the Company	(102,212)	(123,264)
Acquisition of treasury shares	(7,536)	-
Net cash used in financing activities	(109,748)	(123,264)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS ACTIVITIES-	101,206	(16,562)
Balance of cash and cash equivalents at beginning of year	136,481	156,497
Gains (Losses) from exchange differences on cash and cash equivalents	4,167	(3,454)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	241,854	136,481

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEAR ENDED 31 DECEMBER

U.S. dollars in thousands

	2017	2016
APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS		
APPENDIX A:		
CASH GENERATED FROM OPERATIONS -		
Net income for the period	199,675	117,242
ADJUSTMENTS REQUIRED TO REFLECT THE CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation and amortization	694	479
Taxes on income	53,683	34,740
Interest and foreign exchange (gains) losses on operating activities	(3,942)	2,942
	50,435	38,161
OPERATING CHANGES IN WORKING CAPITAL:		
Decrease in accounts receivable	1,994	71
Increase in trade payables-due to clients	2,894	69
Increase (decrease) in other accounts payable:		
Service suppliers	16,787	(7,564)
Other	2,326	3,603
Liability for share-based compensation	5,472	2,544
Settlement of share-based compensation	(900)	(832)
	28,573	(2,109)
CASH FLOWS FROM OPERATING ACTIVITIES	278,683	153,294

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Information on activities of plus500 Ltd and its subsidiaries (hereafter- the Group):

Plus500 Ltd. (hereafter - the Company) was established in 2008 in Israel 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, indices, commodities, ETFs, options, cryptocurrencies and foreign exchange.

On 24 July 2013, the Company's shares were listed for trading on the AIM market of the London Stock Exchange in the Company's initial public offering ("IPO").

The company established the following subsidiaries:

Plus500UK Limited (hereafter - "UK subsidiary", "Plus500UK") is a subsidiary of the Company located in London in the UK, and is regulated by Financial Conduct Authority ("FCA") to offer CFDs.

Plus500AU Pty Ltd (hereafter - "AU subsidiary", "Plus500AU") is a subsidiary of the Company with its main office located in Sydney, Australia. Plus500AU has an Australian Securities and Investments Commission ("ASIC") license, a New Zealand Financial Market Authority ("FMA") license and regulatory authorisation from the Financial Services Board of South Africa ("FSB") to provide certain financial services.

Plus500CY Ltd (hereafter - "CY subsidiary", "Plus500CY") is a subsidiary of the Company located in Cyprus. Plus500CY has a Cyprus Securities and Exchange Commission ("CYSEC") license.

Plus500IL Ltd (hereafter - "IL subsidiary", "Plus500IL") is a subsidiary of the Company located in Israel with its main offices in Tel Aviv. The IL subsidiary is subject to regulation by the Israeli Securities Authority ("ISA").

Plus500BOS EOOD (hereafter - "BOS subsidiary", "Plus500BOS") is a subsidiary of the Company located in Sofia, Bulgaria. The subsidiary provides operational services to the Company.

Plus500SG Pte Ltd (hereafter - "SG Subsidiary", "Plus500SG") is a subsidiary of the Company located in Singapore.

In December 2017, Plus500SG obtained regulatory authorisation from the Monetary Authority of Singapore ("MAS") and International Enterprise Singapore ("IE Singapore") to provide certain financial services in Singapore. The SG subsidiary was granted a Commodity Broker's License in February 2018.

Plus500SA (hereafter - "SA subsidiary", "Plus500SA") is a new subsidiary of the Company located in South Africa. The SA subsidiary obtained regulatory authorisation from the Financial Services Board of South Africa in January 2018 to provide certain financial services in South Africa.

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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation

The Group's financial information as of 31 December 2017 and 2016 and for each of the two years for the period ended on 31 December 2017 are in compliance with International Financial Reporting Standards that consist of standards 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 statements include the accounts of the Company and its 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)".

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:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

	Percentage of annual depreciation
Computers and office equipment	6-33
Leasehold improvements	10

Leasehold improvements are amortized by the straight-line method over the terms of the lease (ten 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.

f. Intangible Assets - computer software

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

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

g. Financial 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 financial assets and financial liabilities held for trading. 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, or presented with, 'Customer deposits, net' within 'Trade payables - due to clients' (see note 2j) in the consolidated statements of financial position.

b. Loans and receivables

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

The Group's loans and receivables comprise 'Cash and cash equivalents', 'Short-term bank deposit', 'Restricted deposits', 'Accounts receivable' and 'Long-term restricted deposit' in the consolidated 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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 consolidated 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 consolidated statements 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.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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.

All of the subsidiaries, except the BG Subsidiary, hold money on behalf of clients in accordance with the client money rules of the FCA, ASIC, CYSEC, FMA, ISA, FSB, and MAS, respectively. Such monies are classified as 'segregated client funds' in accordance with the regulatory requirements. Segregated client funds

comprise individual 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. Other accounts payable

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

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

j. Trade payables – due to clients

As part of its business, the Group receives from its customer's deposits to secure their trading positions, held in segregated client money accounts.

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, or presented with, 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 clients where the combination of customer's deposits and the valuation of financial derivative open positions result in an amount payable by the Group.

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

k. Share-based compensation

The Group operates a cash-settled share-based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

compensation 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 the consolidated statements of comprehensive income. At the end of each reporting period, the Group evaluates the rights based on their fair value and the change in the fair value is recognized in the consolidated statements of comprehensive income.

l. Employee benefits and Pension Obligations

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

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

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

m. Trading income

Trading income is recognized when it is probable that economic benefits associated with the transaction will flow to the Group and the income 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, cryptocurrencies and foreign exchange. Open client

positions are carried at fair value and gains and losses arising on this valuation are recognized as trading income, 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.

n. 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.

o. Current income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in countries where the Company and 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.

p. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

q. Leases

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

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

1. New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

a. IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment,

entities are not required to provide comparative information for preceding periods. The Group adopted the amendment prospectively.

b. IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted. The Group is currently evaluating the impact of adoption IFRIC 23 on its Financial Statements.

c. IFRS 2 Classification and Measurement of Share based Payment Transactions - Amendment to IFRS 2

Amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions and non-vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The amendment is effective for annual periods beginning on or after 1 January 2018. The Group estimates that there will be no material impact on its financial statements.

2. New and amended standards not yet adopted by the Group for reporting periods starting 1 January 2017:

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: 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. 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 uses 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. The Group will apply the new rules retrospectively from 1 January 2018 with the practical expedients permitted under the standard. Comparatives will not be restated. The Group estimates that there will be no material impact in the application of IFRS 9 on its financial statements.

b. 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 and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

On 22 July 2015, the IASB released a decision on deferral of the effective date of the standard by one year, and the standard will be applied retrospectively for annual periods beginning on 1 January 2018, with transitional provisions. Early adoption is permitted. The Group has explored the expected impact of IFRS 15 on its financial statements and concluded that the effect is not material.

c. 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 3 - FINANCIAL RISK MANAGEMENT

The Group specializes in the field of Contracts for Differences (“CFD”) for individual clients only, primarily on commodities, indices, stocks, options, ETFs, cryptocurrencies 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's 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's 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED):

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

Daily profit on closed positions:

U.S. dollars in thousands	2017	2016
Highest profit	10,475	7,917
Highest loss	(4,067)	(2,610)
Average	1,172	864

During the years 2017 and 2016, as to the closed positions, there were 313 and 312 profitable trading days, respectively.

The Group 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 Group. 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 of Directors 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 2017, 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 \$ 332 thousand (2016: \$ 64 thousand); if the U.S dollar had strengthened by 1% against Australian Dollar with all other variables unchanged the exposure in respect of balance denominated in Australian Dollar on income after taxes is \$ 273 thousand (2016: \$ 54 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED):

The exposure in respect to balances denominated in other currencies is immaterial.

b. Credit risk

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

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

Client credit risk principally arises when a customer's total funds deposited (margin and free equity) are insufficient to cover any trading losses incurred. In particular, costumer 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 in which a customer has an open position).

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

The principal types of customer credit risk exposures are managed by monitoring all customer positions on a real time basis. If customers funds are below the required margin level, customers positions are liquidated (margin call).

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

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

As of 31 December 2017 and 2016 counterparties holding about 90% and 96%, respectively, of the Group's cash and cash equivalents, credit cards, client funds and deposits and the credit ratings as of 31 December 2017 are as follows:

Financial institution	Rating*
Barclays Bank Plc	A
Bank Leumi	A-
Credit Suisse AG	A
Commonwealth Bank of Australia	AA-
Westpac Banking Corporation	AA-
UBS	A+
BGL BNP- Paribas	A
National Australia Bank	AA-
Banco Santander SA	A-
ANZ Banking Group Ltd	AA-
Bank of Cyprus Public Company Ltd	B
Societe Generale SA	A

* The Financial institutions were rated by the same third party

The remaining counterparties, for the year ended 31 December 2017 and 2016 hold about 10%, and 4%, respectively, of Group's cash and cash equivalents. Those amounts are held in a few banks worldwide and the balance in each of those banks does not exceed 3% of total cash and cash equivalents.

The Group's largest credit exposure to any single bank as of 31 December 2017 was \$ 98,445 thousands or 25% of the exposure to all banks (2016: \$ 54,301 thousands or 27%).

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 (see note 13).

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED):

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's approach is to ensure 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's adopting what it considers to be best industry practice in placing some individual 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.

d. Capital Management:

1. The UK Subsidiary is regulated by the 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 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 Pillar 2 assessments are compared with total available regulatory capital on a daily basis and monitored by the management of the Group. As of 31 December 2017 and 2016, the UK Subsidiary had £24,326 thousands and £16,436 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).

2. The CY Subsidiary is regulated by CySEC. The CY 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 CY Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the CySEC.

The CY Subsidiary monitors on a frequent basis its Pillar 1 capital requirements and ensures that its capital position remains always above the minimum regulatory thresholds. As of 31 December 2017 and 2016, the regulatory capital of the CY Subsidiary was €52,831 thousands and €18,046 thousands, respectively, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2). As of 31 December 2017 and 2016, Pillar 1 Capital Adequacy ratio was 17.2% and 17.3% respectively.

Moreover, the Group is evaluating its overall risk profile and capital position through its internal capital adequacy assessment process, which is performed at least on an annual basis.

3. The AU Subsidiary is regulated by ASIC. The AU Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The AU Subsidiary manages its capital through its Net Tangible Assets (NTA) assessment in accordance with rules and guidelines implemented by ASIC.

As at 31 December 2017 and 2016, the AU Subsidiary held Net Tangible Assets of \$13,814 thousands and \$8,983 thousands, respectively, of regulatory capital, which is in excess of its NTA requirements.

NOTE 3 - FINANCIAL RISK MANAGEMENT (CONTINUED):

4. The SG Subsidiary is regulated by MAS. The SG Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The SG Subsidiary manages its capital in accordance with rules and guidelines implemented by MAS.

As at 31 December 2017, the SG Subsidiary held regulated capital of SGD 1,600 thousands of regulatory capital, which is in excess of its MAS requirements.

5. The IL Subsidiary is regulated by ISA. The IL Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The IL Subsidiary manages its capital in accordance with rules and guidelines implemented by ISA.

As at 31 December 2017 and 2016, the IL Subsidiary held regulated capital of \$3,838 thousands and \$3,202 thousands, respectively, of regulatory capital, which is in excess of its ISA requirements.

Specific valuation techniques used to value financial instruments are based on quoted market prices at the statement of financial position date and an additional predetermined amount.

f. Fair value estimation

Financial derivative open positions (offset from, or presented with, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT:

a. Composition of assets, grouped by major classifications and changes therein in 2017 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		As of 31 December 2017
Computers and office equipment	1,053	238	1,291	518	259	777
Leasehold improvements	3,372	355	3,727	478	396	874
	4,425	593	5,018	996	655	1,651
						U.S. dollars in thousands
						514
						2,853
						3,367

b. Composition of assets, grouped by major classifications and changes therein in 2016 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		As of 31 December 2016
Computers and office equipment	687	366	1,053	292	226	518
Leasehold improvements	1,833	1,539	3,372	251	227	478
	2,520	1,905	4,425	543	453	996
						U.S. dollars in thousands
						535
						2,894
						3,429

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 5 - INTANGIBLE ASSETS

	Cost	Accumulated amortization	Cost	Accumulated amortization
	As of 31 December 2017		As of 31 December 2016	
	U.S. dollars in thousands		U.S. dollars in thousands	
Software	211	127	201	88

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 6 - SHARE CAPITAL

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

	NUMBER OF SHARES 31 DECEMBER	
	2017	2016
Authorized	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377
Less treasury shares*	980,146	-
Outstanding shares	113,908,231	114,888,377

* 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.

The amounts of dividends for the years 2017 and 2016 declared and distributed by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend in thousands of \$
16 February 2016	72,196
2 September 2016	26,700
5 February 2017	75,000
4 August 2017	27,212

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%).

On 5 January 2016, the Law for the Amendment to the Income Tax Ordinance (No. 216), 2016 was published in the official gazette. The said law stipulated the reduction of the rate of corporate tax from 26.5% to 25% commencing tax year 2016.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate is 24% in 2017 and will be 23% in 2018 and thereafter.

b. Corporate taxation in subsidiaries

The UK Subsidiary is assessed for the tax under the tax laws in the UK. The principal tax rate applicable to the UK Subsidiary in the UK for the years 2017 and 2016 is 19% and 20% respectively.

The CY Subsidiary is assessed for direct and indirect tax under tax laws in Cyprus. The corporation tax rate applicable to the CY Subsidiary in Cyprus is 12.5%.

The AU Subsidiary is assessed for the tax under the tax laws in the AU. The principal tax rate applicable to the AU Subsidiary in the AU is 30%.

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 2017 and 2016 in total amount of \$490 thousands and \$353 thousands, respectively, is presented among "non-current assets". The Deferred tax assets in 2017 and 2016 were computed at tax rate of 23% and 24%, respectively.

The Deferred tax assets which will be settled in 2018 are in total amount of \$490 thousands.

The deferred tax assets in the financial statements are mainly caused by payroll expenses of share-based compensation plan (see note 9).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 7 - TAXES ON INCOME (CONTINUED):

d. Taxes on income included in the income statements for the reported periods:

U.S. dollars in thousands	YEAR ENDED 31 DECEMBER	
	2017	2016
Current taxes:		
Current taxes in respect of current year's profits	53,804	34,920
Deferred taxes:	53,804	34,920
Recognition of deferred taxes asset (see c above)	(121)	(196)
Changes in tax rates applicable to deferred tax assets	-	16
Taxes on income expenses	53,683	34,740

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:

U.S. dollars in thousands	YEAR ENDED 31 DECEMBER	
	2017	2016
Income before taxes on income, as reported in the income statements	253,358	151,982
Theoretical tax expense in respect of this year's income - at 24% (2016: 25%)	60,806	37,996
Decrease in taxes resulting from different tax rates applicable to foreign subsidiaries	(3,143)	(2,504)
Decrease in taxes in respect of currency differences and expenses not deductible for tax purposes	(3,980)	(768)
Increase in taxes resulting from changes in tax rates applicable to deferred tax assets	-	16
Taxes on income for the reported period	53,683	34,740

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. The Company is filing to the Israeli tax authorities, its Israeli tax returns, in accordance to Israeli GAAP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 7 - TAXES ON INCOME (CONTINUED):

During 2014, 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 2014-2017 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014-2017, management expects at this stage that the new legislation will not apply to tax years preceding 2018.

Considering that the temporary provision applies to the 2007-2013 tax years and Company's assessment on the likelihood for extension to cover 2014-2017, as above, the Company computed its taxable income for 2009-2017 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

g. A final tax assessments has been received by the Company for the year ended 31 December 2013.

The UK Subsidiary, AU Subsidiary, CY Subsidiary, BOS subsidiary, SG subsidiary and IL Subsidiary have only been subject to self-assessments since their incorporation.

NOTE 8 – RESTRICTED DEPOSITS

In April 2014 the Company has entered into a lease agreement with a third party for its headquarters facility in Haifa. In June 2015 and in November 2015 the Company signed two additions to the lease contract from April 2014 for leasing an additional area (see note 14).

The short term restricted deposit serves as a security for a bank guarantee provided in favor of the said third party in the amount of US \$ 308 thousands (NIS 1,069 thousands) until 01 July 2018. In addition, the IL Subsidiary has restricted deposits in amounts of US \$114 thousands until 01 November 2018.

In addition, the BG Subsidiary has restricted deposits in amounts of US \$88 thousands, the SG Subsidiary has restricted deposits in amounts of US \$123 thousands and the AU Subsidiary has restricted deposits in amounts of US \$78 thousands.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 9 – SHARE-BASED COMPENSATION

The Group grants "Share Appreciation Rights" to selected employees upon approval of the Board of Directors and management (hereafter - the grant).

During 2014, the Group granted 1,382 rights to 14 employees on three different occasions. On 1 January 2015, the Group granted 894 rights to 20 employees. The Group granted another 3,122 rights to 26 employees on 3 January 2016, 41 rights to 1 employee on 17 April 2016 and 3,722 rights to 45 employees on 30 December 2016. On 31 December 2017, the Group granted 3,321 rights to 72 employees.

The rights will be settled in cash two years after the date of grant.

The rights represent the total amount of grant divided by 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 (hereafter - the share price on grant date).

As of the end of each period, the fair value of the rights is calculated by the number of rights, as calculated on grant date, multiplied by 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 end of each period (or the payout date) divided by the share price on grant date.

The fair value of the rights was estimated using the Restricted Stock Unites option pricing model.

As of 31 December 2017 and 2016 the Group recognized a liability at fair value of \$4,171 thousands and \$2,298 thousands, respectively.

In the year 2017, the Group recognized expenses within 'Selling and marketing expenses' and within 'Administrative and general expenses', with respect of the grant, in amount of \$2,775 thousands and \$2,697 thousands, respectively.

In the year 2016, the Group recognized expenses within 'Selling and marketing expenses' and within 'Administrative and general expenses', with respect of the grant, in amount of \$1,415 thousands and \$1,129 thousands, respectively.

In January 2017, 18 employees exercised 815 rights for cash in total amount of \$858 thousands. The exercise price per granted right is approximately \$1,053, and 1 employee exercise 52 rights for cash in total amount of \$42 thousands. The exercise price per granted right is approximately \$808.

In January 2016, 10 employees exercised 1,072 rights for cash in total amount of \$755 thousands. The exercise price per granted right is approximately \$704.

In July 2016, 1 employee exercised 33 rights for cash in total amount of \$35 thousands. The exercise price per granted right is approximately \$1,061.

During 2017 and 2016, 504 and 304, respectively rights were forfeited.

The following table specifies the dates of grants and the grant rights as of each date:

GRANT DATE	SETTLEMENT DATE	SHARE PRICE ON GRANT DATE (GBP)	GRANTED RIGHTS
14 January 2014	14 January 2016	260.19	1,149
16 July 2014	16 July 2016	524.30	33
19 December 2014	19 December 2016	499.80	200
1 January 2015	1 January 2017	522.94	894
3 January 2016	3 January 2018	388.81	3,122
17 April 2016	17 April 2018	563.25	41
30 December 2016	30 December 2018	541.21	3,722
31 December 2017	31 December 2019	943.23	3,321

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 10 - SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION INFORMATION:

a. Cash and cash equivalents

Cash and cash equivalents by currency of denomination

<i>U.S. dollars in thousands</i>	31 DECEMBER	
	2017	2016
USD	208,684	120,253
EURO	91,781	43,338
GBP	33,624	10,995
AUD	38,163	11,050
NIS	9,390	6,683
Other	17,777	6,530
Gross cash and cash equivalents	399,419	198,849
Less: segregated client funds	(157,565)	(62,368)
Own cash and cash equivalents	241,854	136,481

b. Accounts receivable

<i>U.S. dollars in thousands</i>	31 DECEMBER	
	2017	2016
Prepaid expenses	6,434	6,235
Other	1,262	3,455
	7,696	9,690

As of 31 December 2017 and 2016, the total amount of prepaid expenses includes mainly expenses related to Company's sponsorship agreement with Atletico Madrid Football Club (see note 14b).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 10 - SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED):

c. Trade payables – due to clients:

U.S. dollars in thousands	31 DECEMBER	
	2017	2016
Customers deposits, net*	162,047	63,956
Segregated client funds	(157,565)	(62,368)
	4,482	1,588
*Customers deposits, net are comprised of the following:		
Customers deposits	188,401	83,580
Less- financial derivative open positions:		
Gross amount of assets	(45,694)	(25,902)
Gross amount of liabilities	19,340	6,278
	162,047	63,956

As of 31 December 2017 and 2016, the total amount of 'Trade payables - due to clients' includes bonuses to the clients from all of the subsidiaries.

d. Other accounts payable and accruals:

1. Service suppliers
Accounts payable and accruals for suppliers are comprised mainly of amounts due to advertising service suppliers.
2. Other

U.S. dollars in thousands	31 DECEMBER	
	2017	2016
Payroll and related expenses	7,970	3,010
Accrued expenses	3,967	4,054
Other	171	19
	12,108	7,083

The financial liabilities included among other accounts payable, accruals and deposits from clients are for relatively short periods; therefore, their fair values approximate or are identical to their carrying amounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 11 - SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION:

	YEAR ENDED 31 DECEMBER	
<i>U.S. dollars in thousands</i>	2017	2016
a. Selling and marketing expenses:		
Payroll and related expenses	12,855	9,784
Share-based compensation	2,775	1,415
Commission to agents	27,039	8,773
Advertising	90,087	116,075
Commissions to processing companies	16,909	14,323
Server and data feeds commissions	5,751	4,451
Third party customer support	67	1,859
Sundry	518	597
	156,001	157,277
b. Administrative and general expenses:		
Payroll and related expenses	9,971	6,831
Professional fees and regulatory fees	2,953	5,486
Share-based compensation	2,697	1,129
Office expenses	4,179	2,754
Traveling expenses	650	553
Public company expenses	829	997
Nonrefundable VAT	725	1,872
Sundry	729	510
	22,733	20,132

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

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: one of those shareholders is a Director.

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

As of 31 December 2017 and 2016, the balance of the Company's liability in respect of these services amounts is \$180 thousands and \$163 thousands respectively; the said liability is recorded among 'Accrued expenses' (see note 10d(2)).

In 2017 and 2016, the Company paid service fees to related parties at the total amount of \$2,095 thousands and \$1,888 thousands, respectively. A total of \$1,748 thousands and \$1,510 thousands were recognized as payroll and related expenses under the 'Selling and marketing expenses' item for the years 2017 and 2016, respectively. The remaining balance of \$ 347 thousands and \$378 thousands was recognized as payroll and related expenses under the 'Administrative and general expenses' item in 2017 and 2016, respectively.

In 2017 and 2016, the Company paid directors fees at the total amount of \$679 thousands and \$645 thousands, respectively under the 'Administrative and general expenses'.

NOTE 13 – 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:

	Year ended 31 December	
U.S. dollars in thousands	2017	2016
United Kingdom	68,634	61,378
Europe	265,605	200,653
Other	102,999	65,896
	437,238	327,927

NOTE 14 - COMMITMENTS

- a. On 28 April 2014 the Company signed a lease contract (hereafter –the contract) with a third party for the lease of 1,360 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.
- On 30 June 2015 and on 11 November 2015 the Company signed two additional lease contracts to the contract (hereafter – the additional contract), for the lease of additional 730 square meters and 804 square meters, respectively. According to the additional contract terms, the additional lease is for the same period as the contract.

The rental payments are linked to the Israeli CPI. The expected rental payments for the next years are as follows:

U.S. dollars in thousands	
2018	846
2019	282
Total	1,128

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 14 - COMMITMENTS (CONTINUED):

- b. The Company and Club Atlético de Madrid, S.A.D. (hereafter - Atlético Madrid) entered into a sponsorship agreement on 3 October 2017 under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2018/19, 2019/20 and 2020/21 seasons.
- c. The Company and Brumbies Rugby, the Australian professional rugby union team (hereafter - the Brumbies) entered into a sponsorship agreement on 1 October 2017 under which the Company is entitled to advertise and promote itself as the official sponsor of the Brumbies for three seasons between 1 January, 2018 to 31 December, 2020.

NOTE 15 - 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.

U.S. dollars	YEAR ENDED 31 DECEMBER	
	2017	2016
Profit attributable to equity holders of the Company	199,675,000	117,242,000
Weighted average number of ordinary shares in issue*	114,420,058	114,888,377

* After weighting the effect of the buyback program. Please see note 6.

NOTE 16 - SUBSEQUENT EVENTS:

- a. On 14 February 2018 the Company declared a final dividend in an amount of \$92,592 thousand (\$0.8129 per share). The dividend is due to be paid to the shareholders on 23 July 2018.
- b. On 14 February 2018 the Company declared a special dividend in an amount of \$72,333 thousand (\$0.635 per share). The dividend is due to be paid to the shareholders on 23 July 2018.



Plus500 Limited

FURTHER INFORMATION



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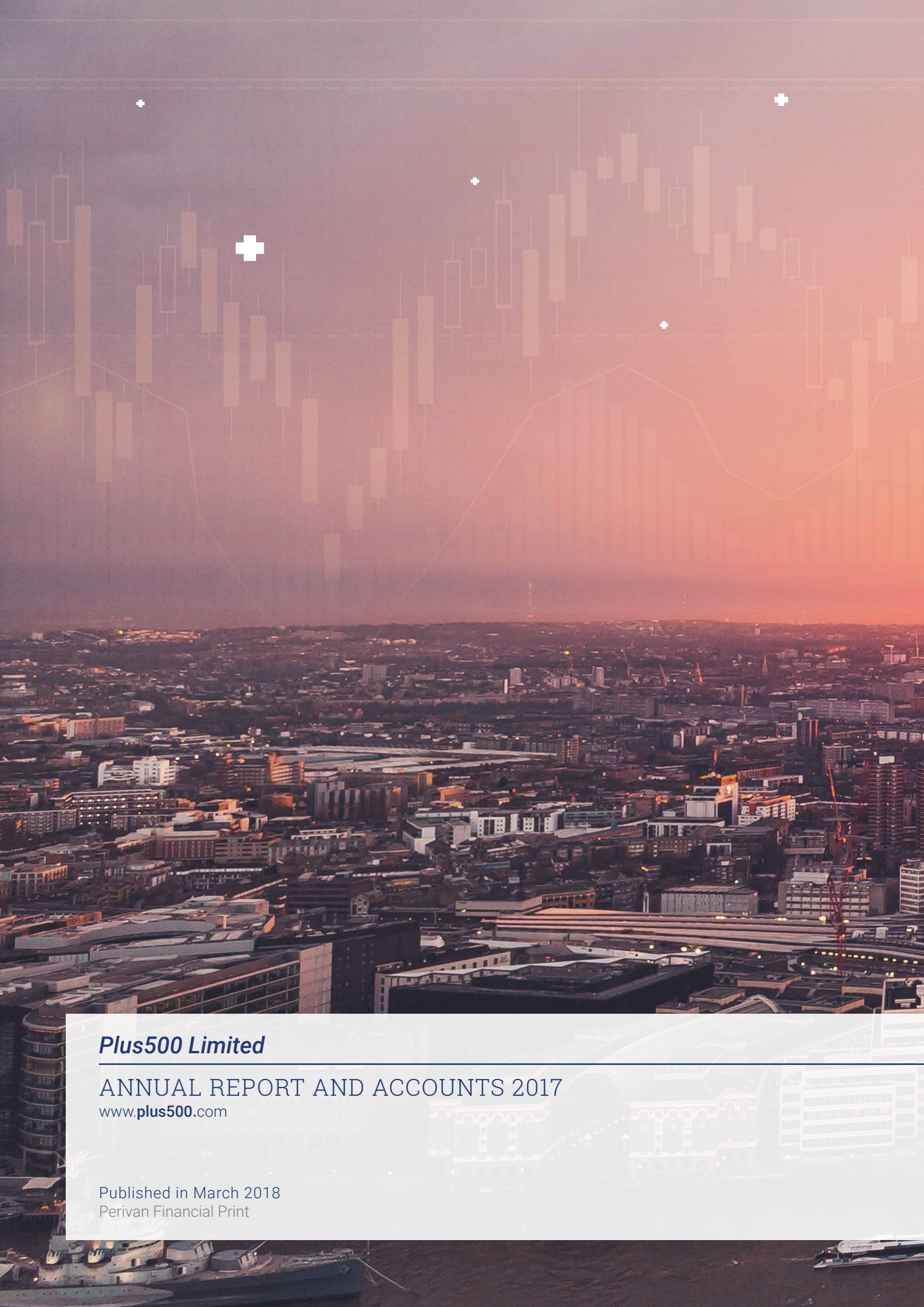
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Plus500 Limited

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