



Plus500 Limited

ANNUAL REPORT AND ACCOUNTS **2016**

Plus⁺500

About Plus500

Plus500 Ltd (the “Company”) is a fast growing online provider of Contracts for Difference (“CFDs”). Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 2,100 different underlying global financial instruments comprising equities, indices, commodities, options, exchange-traded funds (“ETFs”) and foreign exchange. The Company enables retail customers to trade CFDs in more than 50 countries and in 31 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, South Africa, New Zealand and Israel. Customer care is integral to Plus500: customers cannot lose more than they deposit and there are no commissions on trades. Plus500 offers its customers sophisticated risk management tools to manage their trading positions and a free demo account is available on an unlimited basis for platform users.



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2016 ANNUAL REPORT OVERVIEW



2016 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Revenue increased 19% to \$327.9 million (2015: \$275.6 million)
- EBITDA¹ was \$151.0 million (2015: \$132.9 million)
- EBITDA margin was 46.0% (2015: 48.2%)
- Net profit was \$117.2 million (2015: \$96.6 million)
- Earnings per share was \$1.02 (2015: \$0.84)
- ARPU² was \$2,103 (2015: \$2,019)
- Cash generated from Operations was \$153.3 million (2015: \$128.1 million)
- Total dividend of \$101.7 million, representing a total pay-out of 87% of net profit for the year

\$327.9m

Revenue
2015: \$275.6m

OPERATIONAL HIGHLIGHTS

- Another record year of strong customer growth in excess of expectations, reflecting effective marketing and robust business model:
 - * Active Customers³ increased 14% to 155,956 (2015: 136,540)
 - * New Customers⁴ increased 23% to 104,432 (2015: 84,858)
- Continue to build international presence and diversify revenues through new licences in New Zealand and Israel
- Maintained leadership positions:
 - * Second largest CFD provider in the UK⁵
 - * Leadership in technology and product innovation:
 - ** a true omni-channel trading experience allowing access to information and trading across PC, web, tablet, mobile or wearable platforms in a device-agnostic manner
 - ** a majority of revenues and signups come from mobile devices reflecting speed of innovation compared to competitors (over 70% of 2016 revenues and signups originated from mobile devices)

\$151.0m

EBITDA
2015: \$132.9m

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

² ARPU: Average Revenue Per User

³ Active Customers: Customers who make at least one trade using money on the trading platform during the relevant period

⁴ New Customers: Customers who have deposited money into their own account for the first time

⁵ Investment Trends' report, July 2016

DIVIDENDS

- Total dividend of \$101.7 million, consists of interim dividend of \$26.7 million, final dividend of \$43.6 million and a special dividend of \$31.4 million, representing a total pay-out of 87% of net profit for the year
- Total dividends to shareholders in the three-year period since flotation, including dividends declared in February 2017, are \$332.3 million, which exceeds the market capitalisation at flotation of \$200 million

	2016	2015
DIVIDENDS PER SHARE (CENTS)		
• Interim	\$0.2324	\$0.2121
• Final	\$0.3799	\$0.2922
• Special	\$0.2729	\$0.3362
• Total	\$0.8852	\$0.8405
DIVIDEND PAYOUT (\$M)		
• Interim	\$26.7m	\$24.4m
• Final & Special	\$75.0m	\$72.2m
• Total	\$101.7m	\$96.6m

Chairman's Statement



The Board is confident that Plus500 will become a stronger business with an enhanced competitive position as a result of the regulatory changes being implemented, and the continued investment in and innovation of its trading platform.

Alastair Gordon
Chairman

Introduction

The Company is delighted to announce a strong set of 2016 KPIs which reflect the strength of Plus500's brand and business model. We have reported another record year in terms of the most important measures, revenue and EBITDA, which were driven by strong growth in New and Active Customers that support our position as an industry leader in customer growth.

The Board remains committed to ensuring the highest standards of regulatory compliance. During the year of 2016, the Company has undertaken significant work on enhancing and aligning its regulatory framework with new requirements that were published by regulators in various markets in which the Company operates.

Dividends

Given the Company's strong financial performance, the Board has considered Plus500'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 undertaking 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 87% of 2016 net profits (2016 total dividend: \$101.7 million) and therefore to propose a final dividend in respect of 2016 together with an additional distribution by way of a special dividend.

This equates to a total payment of \$0.8852 per share compared to \$0.8405 last year, an increase of 5%.

Strategy

Plus500's strategy is unchanged; we aim to strengthen the Company's position as a leading provider of CFD trading to retail customers globally and thereby continue to deliver good shareholder returns. We will maintain our momentum in existing markets such as Western Europe by launching new financial instruments and continuing to enhance our trading platform, ensuring our technology remains at the cutting edge, all the while improving our customer service. This will all be supported by continuing investment in marketing to enhance our brand globally and attract new, high value

customers with good lifetime value. And by our continued investment in best practice regulatory compliance to ensure we mitigate the impact of the current changes being proposed by many regulators. We will also do this by gaining new operating licences in existing and new territories thereby increasing customer numbers and geographically diversifying our earnings.

Outlook

The Board believes that the Company's strong financial position, geographically well diversified revenues, advanced trading platform and its flexible, low cost business model, position it well to ride out this period of regulatory uncertainty and to emerge a stronger business with an enhanced market position.

*Alastair Gordon
Chairman
6 March 2017*

Chief Executive Officer's Review



We enter 2017 confident we can continue to develop our business and successfully incorporating regulatory changes with minimum disruption

*Asaf Elimelech
Chief Executive Officer*

Introduction

We are pleased to announce record annual results. Our continued focus on serving our customers' trading needs through product innovation and technology leadership, combined with our marketing activity, has led to strong new customer sign ups, reduced churn in H2 2016 and increased customer activity.

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, South Africa, New Zealand and Israel, providing a strong foundation in an ever evolving regulatory environment. Our safe and secure trading account already incorporates a number of the trading controls that regulators are seeking to introduce: we were among the first to offer a trading platform where customers cannot lose more than they invest, and in 2016, as in 2015, there were no net revenues from market P&L. The latter reflects the efficiency of our internal risk management systems and meets the expectations of the regulators that aim to prevent industry participants from being dependent on client losses.

We have started to make the necessary adjustments to comply with the regulatory changes that were announced during 2016 and we will continue to adopt any future requirements, as certain regulators continue to go through a consultation and implementation process. Proposals to reduce leverage are expected to have the greatest financial effect. In this regard the UK regulatory proposals have the most material impact and we note that approximately 20% of our revenues are currently derived from the UK regulated subsidiary. At the same time, we have a highly flexible business model and a lean cost structure to help mitigate the impact of regulatory changes on our financial performance. Overall, we anticipate that the industry will consolidate around a smaller number of larger participants, of which we believe Plus500 will be amongst the leaders.

We were delighted to announce recently the extension of our existing partnership with Atlético Madrid in football and our new sponsorship agreement with the Plus500 Brumbies, the Australian Super Rugby team; together these sponsorships extend our strategy of increasing our brand recognition and expanding our customer base globally.

Full Year

	2016	2015	% Growth
Revenue	\$327.9m	\$275.6m	19%
Number of New Customers	104,432	84,858	23%
Number of Active Customers	155,956	136,540	14%
ARPU ⁶	\$2,103	\$2,019	4%
AUAC ⁷	\$1,195	\$1,227	-3%

Overview

Plus500 is pleased to report another year of strong revenue and profit growth in 2016 and high levels of customer growth and activity as set out in the table above.

The Company successfully maintained its position as the second largest CFD provider in the UK for the third year in a row.*

Following the additional marketing and onboarding costs incurred in the first half acquiring New Customers, during the second half, the Company refined its online marketing activity with notable success and was able to acquire a significant number of New Customers at a reduced cost compared to last year.

Operational Review

The Company's primary market is offering retail clients the ability to trade CFDs in global equities, indices, commodities, options, ETFs and FX. The Company has increased its revenue through a combination of an efficient online-focused customer acquisition strategy and its easy-to-use trading platform. Customer care is integral to Plus500: customers cannot lose more than they deposit and there are no commissions on trades, whilst the expansion of the 24/7 live chat feature has reduced response times, which contributed to an increased satisfaction rate among customers. This is reducing churn and increasing the longevity of customers, and ultimately their lifetime value.

In Q3 2016 due to the increased market volatility as a result of the political situation in Europe and the USA, the Company experienced particularly strong growth in

trading in commodities as well as equities. In 2016 as a whole, there was a marked increase in volatility in financial markets driven by successive macro events, which in turn drove news flow and customer activity. The highest profile events were the dramatic decision by the United Kingdom to leave the European Union in June 2016 and the US elections in November 2016; both resulted in a profitable outcome for Plus500, which also demonstrated the robustness of the Company's risk and credit controls (that do not enable its customers to lose more than they deposit). These events also stimulated a significant increase in the number of New Customers.

The Company had a successful year in terms of its marketing activities. Online, Plus500's proprietary marketing platform continued to improve brand awareness across multiple advertising channels and enabled the Company and its subsidiaries (the "Group") to attract a greater number of high value customers. Offline, the sponsorship agreement with Spanish football club, Atlético Madrid, is accelerating and delivering brand building benefits to the business. Plus500 has extended this sponsorship agreement as the main sponsor for the 2017/18 season. In addition, Plus500 has signed a sponsorship agreement for the 2017 season with the Plus500 Brumbies, one of the leading Australian rugby union teams, who compete in the high profile international Super Rugby competition; these two sponsorships extend the Company's strategy of increasing Plus500's brand recognition and expanding the Company's customer base globally.

*Source: Investment Trends 2016 UK Leveraged Trading report

⁶ Average revenue per active user

⁷ Average new user acquisition cost

Risk Management Framework

Plus500's target audience is exclusively retail customers and the platform is not available to institutional traders. Plus500 offers its customers sophisticated risk management tools to manage their trading positions, where its customers cannot lose more than they deposit. As a result, Plus500 is less vulnerable to dependency on large customers as no single customer contributed more than 0.4% of total revenue in 2016.

Additionally, the Company's risk management framework ensures that risk exposures are strictly limited. It employs a mix of controls and internal hedging tools to ensure this across its base of a very large number of customers, including the monitoring of exposure limits (by client, instrument and total exposure), with the ability to cap trades and hedge once limits are reached. Credit risk is eliminated by the fact that all customers' accounts are pre-funded. 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 life time value maximisation whilst minimising losses. The worst and best daily revenues in 2016 were a loss of \$2.6 million and profit of \$7.9 million respectively. The average daily revenue in 2016 was \$0.86 million.

In 2016, as in 2015, overall there were no net revenues from market P&L, i.e. Plus500 earned the vast majority (95%) of its revenues in 2016 from trading spreads rather than from client trading losses which were nil. This reflects the efficiency of the risk management systems and meets the expectations of the regulators, which aim to prevent industry participants from being dependent on client losses.

Research and Development

The Company continues to invest in R&D in order to maintain its competitive advantage. During 2016, the Company has improved its 24/7 live chat, its support has been expanded and the median reaction time to each customer dropped to less than one minute by chat and to a few minutes by email.

Additionally, Plus500 is ideally positioned to take advantage of the increased use of mobile and tablet devices for trading given the ease of use of its trading platform and the continued enhancements being introduced. The Company maintained its lead as being the highest rated app in its sector by customers on both Apple's AppStore and Google's Play Store.

The Company is now working on further developments, which are expected to improve the customer acquisition process and reduce churn.

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

Outlook

We enter 2017 confident we can continue to develop our business and expand into new markets whilst successfully incorporating regulatory changes with minimal disruption. Our strong statement of financial position, cash generative business model, geographic diversification and competitive market position are expected to enable us to provide good shareholder returns despite continuing short term regulatory uncertainty.

Asaf Elimelech
Chief Executive Officer
6 March 2017

Our Strategic Objectives

Maintaining our market position as a leading CFD provider

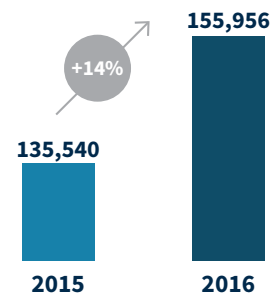
2016 Achievements

- Increased our leading position in CFDs, with a record industry number of c. 156,000 Active Customers in 2016
- Increased net profit margins

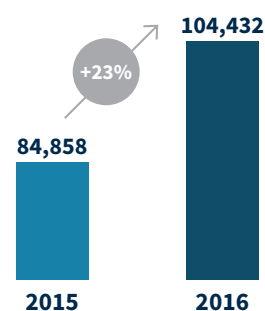
Future Goals

- Strengthening the international brand through marketing initiatives and sponsorship of Atlético Madrid FC and Plus500 Brumbies
- Launching new financial instruments
- Gaining new licences and penetrating into new geographies
- Increasing momentum in Western European countries
- Increasing ARPU and Lifetime Value
- Optimising the marketing channels and increasing the targeted level of ROI

Number of Active Customers

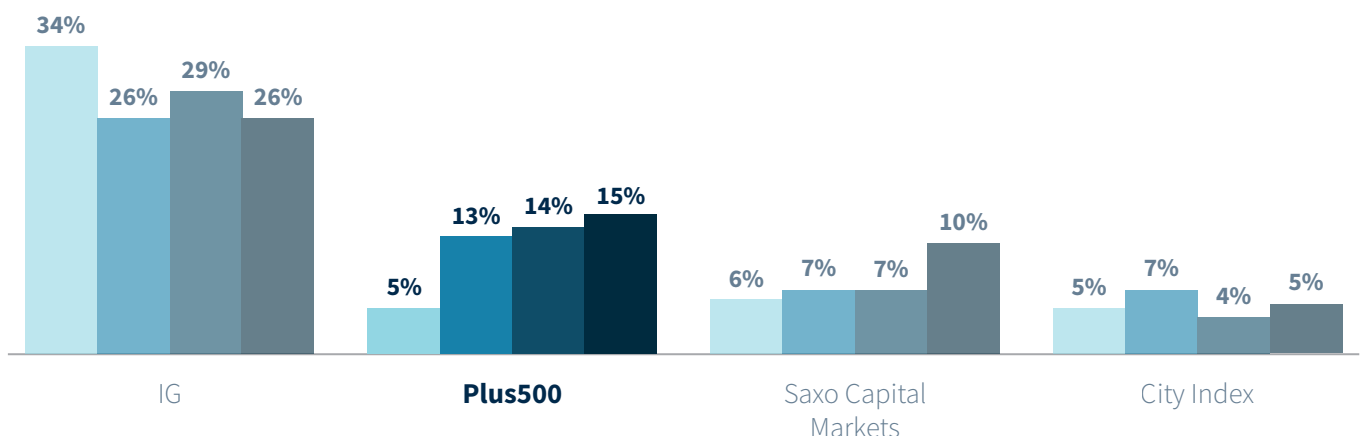


Number of New Customers



Top CFD providers in UK By number of primary relationships*

2013 2014 2015 2016



*Source: Investment Trends 2016 UK Leveraged Trading report

Continue to provide high quality client service

2016 Achievements

- Plus500 leads 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
- Expansion of Plus500's 24/7 live chat feature has reduced response times and increased customer satisfaction
- Significantly reduced customer churn in the latter part of 2016

Future Goals

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

Extension to new geographies

2016 Achievements

- Plus500 obtained new licences in New Zealand and Israel

Future Goals

- Continue to add new licenses in further geographies to increase customer base (such as licence obtained in South Africa in February 2017)
- Continue to diversify already geographically well spread revenues

Innovative and leading trading platform

2016 Achievements

- Expansion of 24/7 live chat feature to further reduce response times
- Ongoing IT development

Future Goals

- Launching new financial instruments
- Launching new Plus500 website
- Maintaining industry leadership in technology

Growing the customer base

2016 Achievements

- Plus500 was the top industry performer in New Customer sign ups
- The Active Customer base increased to c. 156,000
- Attracted about 104,000 New Customers

Future Goals

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

Continuing to trade profitably

2016 Achievements

- Improvement of 19% in revenues from last year
- Continued to invest in marketing for additional growth
- Enabled high dividend payout ratio commitment to be exceeded for the second year in a row
- Another year of being profitable in every month

Future Goals

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

Technology Edge

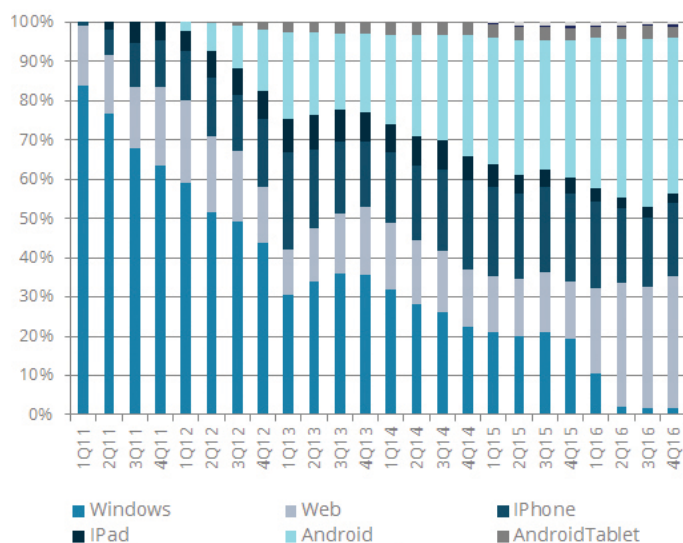
The industry-wide trend for trading CFDs on smartphones and tablets continued to gather pace in 2016.

Plus500 is an industry leader in mobile client satisfaction, with over 70% of 2016 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. It has also received more reviews and downloads than its competitors.

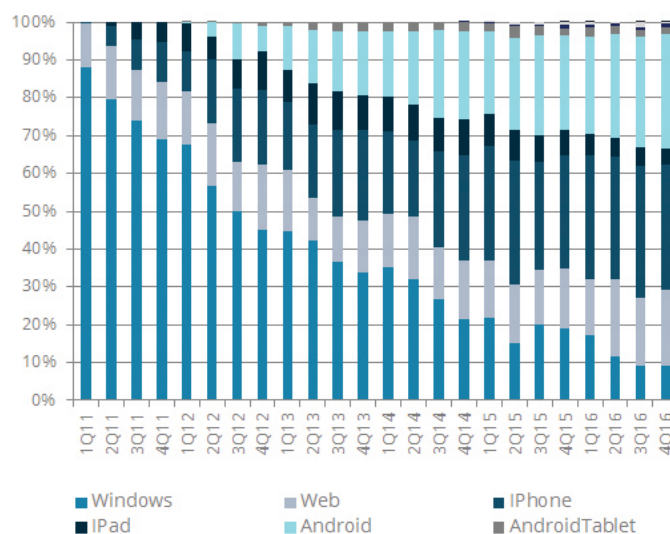


Mobile revenues and sign ups by device

Number of Signups by Device



Revenues by Device



Financial Review

Revenue

\$327.9m

2015: \$275.6m

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

The following section provides a more detailed analysis of the Company's financial performance for the year ended 31 December 2016, including a discussion of the KPIs used to monitor and control its business.

The Company generates its revenues principally from the dealing spreads on the trading platform. In addition, the Company generates revenues from overnight premiums, effectively a financing charge, on certain positions held by customers overnight. In 2016, as in 2015, the Company did not generate revenues from market P&L. The Company does not charge customers any commissions on trades.

2016 was a record year of revenues for Plus500. Revenues totalled \$327.9 million (FY 2015: \$275.6 million), an increase of 19%. 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 in 2016 was \$151.0 million (FY 2015: \$132.9 million), an increase of 14%, with EBITDA margins decreasing slightly from 48.2% in 2015 to 46% in 2016. Net profit for 2016 increased 21% to \$117.2 million (FY 2015: \$96.6 million). Earnings per share were \$1.02 (FY 2015: \$0.84).

SG&A expenses increased by 24% to \$177.4 million (FY 2015: \$143.1 million), in line with the 23% increase in the volume of New Customers and reflecting online and offline marketing to attract higher value customers who are more expensive to acquire.

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.

EBITDA

\$151.0m

2015: \$132.9m

Net Profit

\$117.2m

2015: \$96.6m

Total Dividend per Share

\$0.8852

2015: \$0.8405

In 2016, the Company's financial income, net amounted to \$1.5 million (FY 2015: financial expenses, net \$4.6 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 2016. 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.

Plus500's total assets in FY 2016 were \$154.7 million, a decrease of 8% from \$169 million in FY 2015; cash balances decreased to \$136.5 million (FY 2015: \$156.5 million) as a result of the Company's exceptional dividend distribution (amounting to the payment of \$123.3 million in 2016 compared to \$65 million in 2015); and equity was \$136.0 million (FY 2015: \$117.7 million), representing approximately 88% 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 transferred from or to the Company's accounts. In addition, the Company requires relatively low levels of capital expenditure. The combination of these features is that a high proportion of net income is rapidly converted into cash. In 2016 the Company generated \$153.3 million of cash from operations (FY 2015: \$128.1 million) resulting in cash and cash equivalent balances of \$136.5 million at 31 December 2016 (FY 2015: \$156.5 million).

In light of this strong cash generation, the Board will maintain the flexibility to pay special dividends 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 \$62.4 million (FY 2015: \$39.8 million).

Dividends

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 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 87% of 2016 net profits (\$101.7 million) and therefore to propose a final dividend in respect of 2016 together with an additional distribution by way of a special dividend.

As announced in February 2017, the Board was pleased to declare a final dividend for the year ended 31 December 2016 of \$0.3799 per share (final dividend 2015: \$0.2922 per share), with an ex-dividend date of 2 March 2017, a record date of 3 March 2017 and a payment date of 3 July 2017. This makes a total dividend for the year of \$0.6123 per share (total dividend for 2015: \$0.5043 per share). This equates to a total dividend pay-out of \$70.3 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 \$0.2729 per share (special dividend 2015: \$0.3362 per share) amounting to a payout of \$31.4 million (FY 2015: \$38.6 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 \$0.8852 per share (FY 2015: \$0.8405 per share) amounting to a payout of \$101.7 million (FY 2015: \$96.6 million).

Total dividends to shareholders, including those declared in February 2017, in the three-year period since flotation will be \$332.3 million, which exceeds the market capitalisation at flotation of \$200 million.

The table below shows the consolidated audited results of the Company for the two financial years ended 31 December 2016:

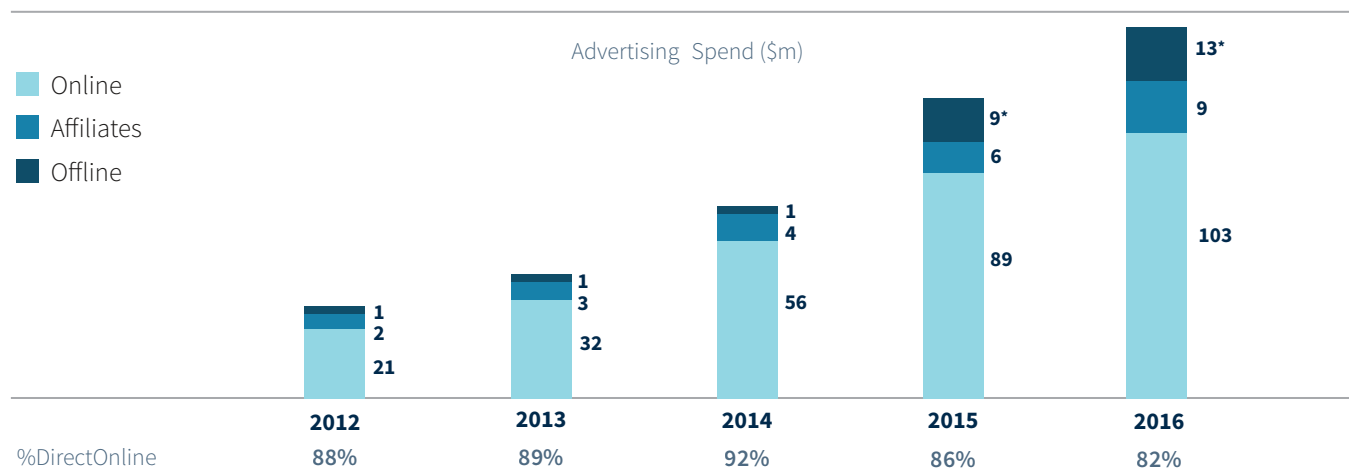
	2016 (\$'000)	2015 (\$'000)
Revenue	327,927	275,651
EBITDA	150,997	132,874
Profit before Tax	151,982	127,884
Net Assets	136,000	117,654

The table below shows the consolidated audited cash flows of the Company for the two financial years ended 31 December 2016:

	2016 (\$'000)	2015 (\$'000)
Net cash provided by operating activities	108,907	85,475
Net cash provided by (used in) investing activities	(2,205)	18
Net cash used in financing activities - paid dividends	(123,264)	(65,005)

Significant Investment in Marketing

Focus remains online but Plus500 will continue to explore offline opportunities

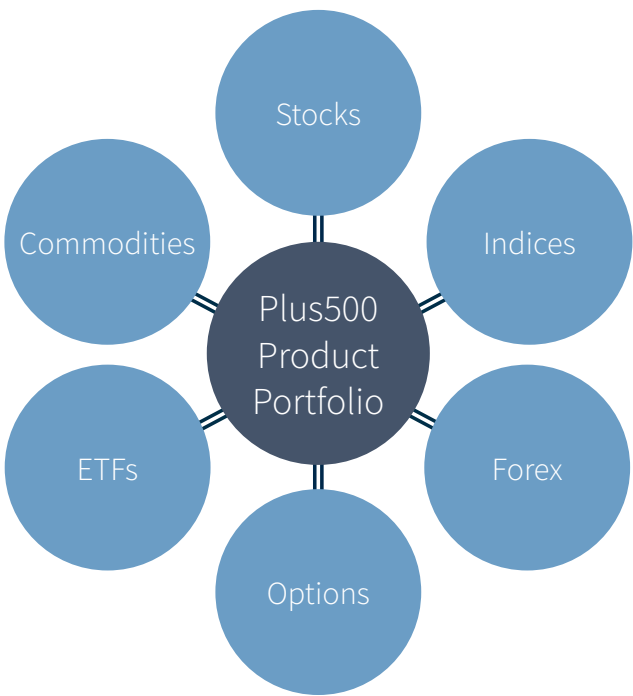


*Majority is Atletico Madrid sponsorship deal

Strong Product Platform

CFD Financial Instruments

2,100 CFD financial instruments



iPhone App / iPad App



Apple Watch App

Windows Phone App

Platform and Devices

Supporting 31 languages in more than 50 countries



Android App



Windows 10 App

Trading Platform

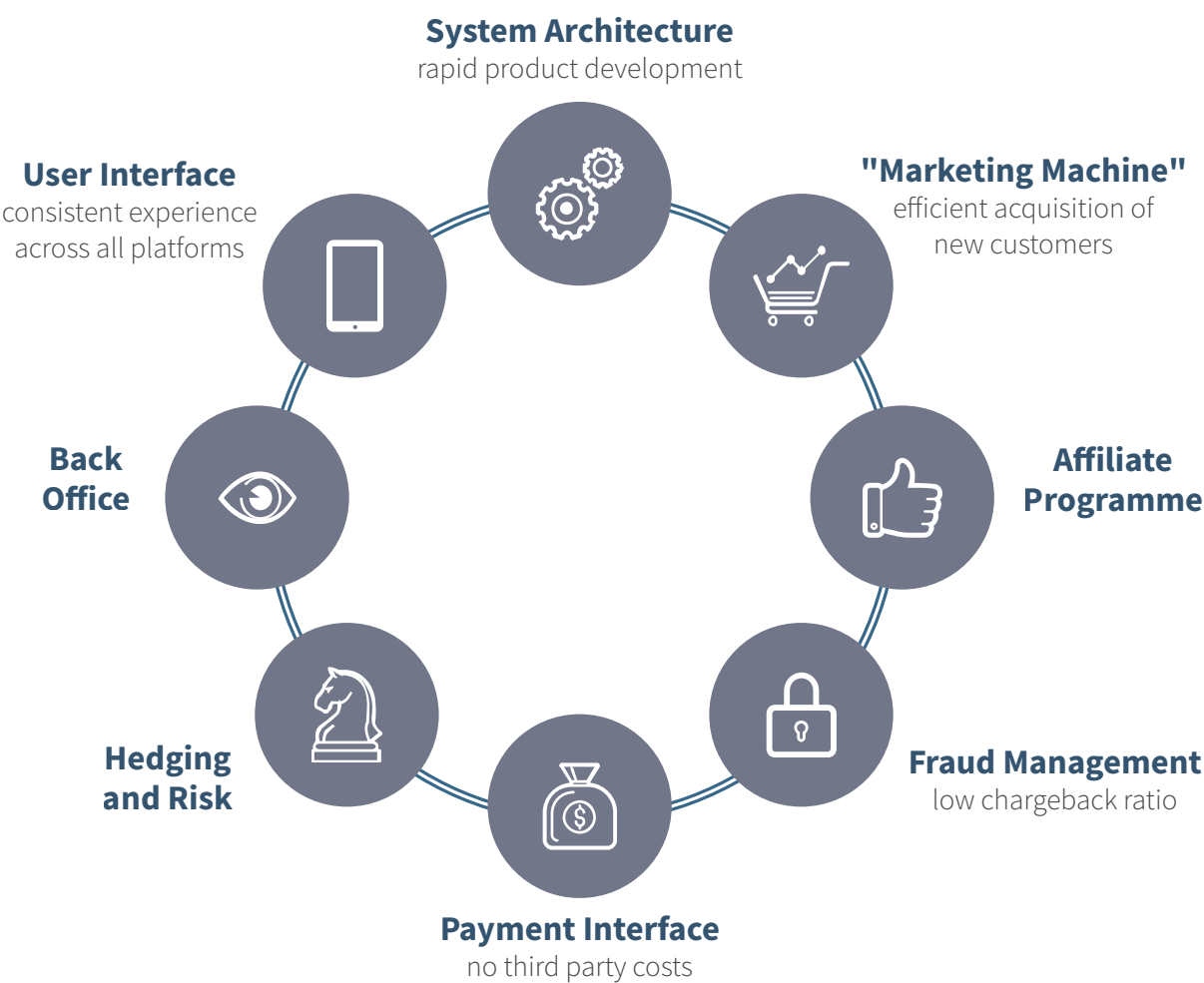
Retail customers only - All customers are protected from negative balance



Most Popular	Shares	Commodities	Indices	Forex	Options
UK 100	7244.81	Buy	7243.68	Short	0.10%
Germany 30	11814.15	Buy	11812.35	Short	-0.18%
Natural Gas	2.692	Buy	2.690	Short	-3.44%
Lloyds	69.73	Buy	69.62	Short	0.60%
EUR/GBP	0.85158	Buy	0.85145	Sell	0.55%
GBP/USD	1.24308	Buy	1.24289	Sell	-0.25%
Gold	1255.61	Buy	1255.20	Short	-0.10%
EUR/USD	1.05847	Buy	1.05840	Sell	0.32%

Market Leading Technology

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



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.

Atlético de Madrid FC is one of the most successful clubs in Europe that 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.



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 which regularly competes in the UEFA Champions League, the most prestigious club competition in Europe, including winning the UEFA Super Cup in 2010 and 2012, and coming second 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 in furthering its strategy of increasing Plus500's 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. Plus500 will be the Official Sponsor for the 2017 season. 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 licence 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 preeminent 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 extend the Company's strategy of increasing its brand recognition and expanding its customer base globally.



DIRECTORS AND GOVERNANCE



Board of Directors

Alastair Gordon, Non-Executive Director and Chairman, 66

Alastair Gordon is a non-executive Director and Chairman of the Company. Mr. Gordon has over 16 years' experience in global information management, software and e-commerce.

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

Prior to working at SDL plc, Mr. Gordon spent 10 years at Berisford International plc, where he held a number of divisional and group financial roles, including chief financial officer of the company's US operations. Prior to working at Berisford International plc, Mr. Gordon spent 13 years at Arthur Andersen LLP, where he was a senior audit manager specialising in small and medium sized businesses and venture capital.

Mr. Gordon has served as senior independent non-executive director of Active Risk Group plc (LON: ARI) (formerly Strategic Thought Group plc), an enterprise risk management technology company, from 2008 to 2013. He also served as a non-executive director of Alterian plc, a marketing analysis software business, from 2010 until 2012. Mr. Gordon is a Qualified Chartered Accountant and is a member of the ICAEW.

Charles Fairbairn, Senior Non-Executive Director and External Director, 54

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 17 years including Research Now Ltd, the online research company of which he was a founder investor, Statpro Group plc, providing analytics for asset managers, and Brightview plc, an internet service provider.

Mr. Fairbairn graduated from Durham University with a BA (Hons) in Economics in 1983 and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London in 1986. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc in 1990 as group accountant, group chief accountant and latterly finance director of Pearson New Entertainment, a start-up division. Over the following 18 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.

Penelope Judd, Non-Executive Director, 53

Ms. Judd is a non-executive Director and chairperson 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 until June 2016 Managing Director and EMEA Head of Compliance at Nomura International Plc, a position she held for three years. Prior to this Ms. Judd worked at UBS Investment Bank for nine years and held the position of 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.

Daniel King, Non-Executive Director and External Director, 51

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 and Director, 42

Gal Haber has nearly 16 years' experience in software programming and business development. One of the founders, 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.

Before 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 and Director, 36

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 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, through its subsidiaries, was meeting its strategic goals. Mr. Elimelech was appointed to the Board in February 2016.

Prior to joining Plus500, he 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 and Director, 31

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 and was appointed to the Board in June 2016.

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.

Dana Comber, Legal & Company Secretary, 30

Dana Comber is the Legal & Company Secretary of the Company. Ms. Comber is responsible for ensuring that the Company complies with standard financial and legal practice and maintains high standards of corporate governance. In her previous role as Legal & Business Development, she was part of the global business development team focusing on the Company's strategic goals and its international operations.

Ms. Comber is a certified lawyer in Israel and, prior to joining Plus500, she was an associate at HFN Law firm, specialising in corporate and commercial law. Ms. Comber holds an LL.B from the Hebrew University and an MBA (focusing on Innovation & Entrepreneurship) from IDC Herzliya.

Directors' Report

Activities

Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 2,100 different underlying global financial instruments comprising equities, indices, commodities, options, ETFs and foreign exchange.

The Company enables retail customers to trade CFDs in more than 50 countries. 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 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, South Africa, New Zealand and Israel. Customer care is integral to Plus500: customers cannot lose more than they deposit and there are no commissions on trades. Plus500 offers its customers sophisticated risk management tools to manage their trading positions and a free demo account is available on an unlimited basis for platform users.

The Company generates its revenues principally from the dealing spreads on the trading platform. Additionally, the Company generates revenues from overnight premiums, effectively a financing charge, on certain positions held by customers overnight. In 2016, as in 2015, the Company did not generate revenues from market P&L. The Company does not charge customers any commission on trades.

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

The Company currently conducts operations in the European Economic Area (EEA), Gibraltar, Australia, South Africa, New Zealand, Israel, the Middle East and elsewhere. The Company has four 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 authorization from the Financial Markets Authority (FMA), the New Zealand government agency responsible for financial regulation to operate an online trading platform for retail 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 retail 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 retail customers to trade CFDs in South Africa, under FSP #47546.

Business Review

For the operating and financial review of the business during the year please refer to the Chief Executive Officer's Review on pages 10 to 12 and the Financial Review on pages 17 to 19 included within the Annual Report. For future developments please refer to the outlook section of the Chief Executive Officer's review on page 12.

Financial

2016 was a record year of revenues for Plus500. Revenues totalled \$327.9 million (FY 2015: \$275.6 million), an increase of 19%. 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 in 2016 was \$151.0 million (FY 2015: \$132.9 million), an increase of 14%, with EBITDA margins decreasing slightly from 48.2% in 2015 to 46% in 2016. Net profit for 2016 increased 21% to \$117.2 million (FY 2015: \$96.6 million). Earnings per share were \$1.02 (FY 2015: \$0.84).

In 2016, the Company's financial income, net amounted to \$1.5 million (FY 2015: financial expenses, net \$4.6 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 2016. 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.

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:
155,956 (2015:136,540)
- Number of New Customers:
104,432 (2015: 84,858)
- Average Revenue Per User (ARPU):
\$2,103 (2015: \$2,019)
- Average User Acquisition Cost (AUAC):
\$1,195 (2015: \$1,227)

Dividend Policy

Given the strong financial performance, the Board has considered the Group's dividend policy of 60% pay-out ratio with payment of special dividends and flexibility to buyback shares 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 87% of 2016 net profits (\$101.7 million) and therefore to propose a final dividend in respect of 2016 together with an additional distribution by way of a special dividend.

The Board has declared in February 2017 a final dividend out of the Company's net profits for the year ended 31 December 2016 of \$0.3799 per share (final dividend 2015: \$0.2922 per share), with an ex-dividend date of 2 March 2017, a record date of 3 March 2017 and a payment date of 3 July 2017. This makes a total dividend for the year of \$0.6123 per share (total dividend for 2015: \$0.5043 per share). This equates to a total dividend pay-out of \$70.3 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 \$0.2729 per share (special dividend 2015: \$0.3362 per share) amounting to a payout of \$31.4 million (FY 2015: \$38.6 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 \$0.8852 per share (FY 2015: \$0.8405 per share) amounting to a payout of \$101.7 million (FY 2015: \$96.6 million).

Total dividends to shareholders including those declared in February 2017 in the three-year period since flotation on July 2013 will be \$332.3 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. 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, which provides the Company with a significant competitive advantage.

The development of the trading platform continues to evolve in order to meet the growing demands of Plus500's Active Customer base. For example, following the launch of the Apple Watch, the Company immediately released a new interface for Apple Watch users. Plus500 is constantly updating and introducing new financial instruments, including options CFDs instruments. The expansion of the 24/7 live chat feature has reduced response times, which contributed to an increased satisfaction rate among customers.

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

Supplier Policy of the Company

Company creditors relate mainly to costs associated with marketing, financial information and payment processing services. Due to the nature of these creditors, the Company does not have a specific supplier payment policy. Average creditors days for the year ended 31 December 2016 were 30 days (2015: 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 6 March 2017, the Company had 114,888,377 ordinary shares in issue, of which none were held in treasury. The Company does not currently have any share schemes.

Substantial Shareholdings

As of 6 March 2017, based on information reported to the Company by shareholders, the Company had the following shareholders with direct or indirect interest of 3% or more of the issued and outstanding share capital of the Company (as of 28 February 2017):

Significant Shareholders		% of Ownership of Shares
1	Sparta24 Ltd. ⁸	10.35%
2	Brighttech Investments	9.90%
3	Odey Asset Management LLP	8.59%
4	Investec Asset Management	4.09%
5	J.P. Morgan Asset Management	3.74%
6	Wavesoft Ltd. ⁹	3.66%
7	Smarty Ltd. ¹⁰	3.66%

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 69 to 72, on pages 41 to 56 of the Company's Admission Document, dated 24 July 2013, a copy of which is available on the Company's website at <http://www.plus500.com/Docs/Plus500UK/AdmissionDocument.pdf> and on pages 36 to 38 included within the Annual Report.

⁸ A company wholly owned by Alon Gonen, one of the Company's founders

⁹ A company wholly owned by Gal Haber, Director and one of the Company's founders

¹⁰ A company wholly owned by Elad Ben Izhak, one of the Company's founders

Going Concern

The Directors, after considering the risks and uncertainties set out in Note 3 on pages 69 to 72, in the admission document on pages 41 to 56 and on pages 36 to 38 included within the Annual Report 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 2017. 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 on page 84.

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 Annual General Meeting.

Summary

In the last 12 months Plus500 has made strong progress in further market penetration in all countries where it operates. Its pace of acquiring New Customers has accelerated during the year.

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

Plus500 is delighted to have reported a strong performance in its fourth annual report as a public company and believes it is well positioned to make further progress towards its aim of being the market leaders in the global retail online CFD sector.

Approved by the Board and signed on its behalf by

Elad Even-Chen, Chief Financial Officer
6 March 2017

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 requirement to maintain regulatory capital may affect the Group's ability to distribute profits and/or restrict expansion which may affect the Group's ability to conduct its business and may reduce profitability.
- 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 cybercriminals.
- 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 customer money, and the adoption of the EU FTT could have a material adverse effect on the Group's business, prospects, financial condition and results of operation.
- 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 and maintain its Active 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.
- 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.
- It may be difficult to enforce an English judgment against the Company or its officers and directors, to assert English securities laws 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 provisions analogous to the equivalent provisions of the Takeover Code have been incorporated into the Articles.

Risks Relating to the Group's Financial Condition

- The Group's financial results may be adversely affected by currency fluctuations.
- 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.

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 2015 and 2016 (the fees paid to executive Directors during 2016 represent the full amount accrued to them).

On 15 December 2016 the Company's shareholders approved the grant of a share appreciation right in the amount of NIS 1,200,000 (approx. USD 315,400) vesting after two years from the date of grant, with a maximum payout amount of NIS 4,800,000 (approximately USD 1,261,700) to each of Mr. Elimelech, the Chief Executive Officer and executive Director and Mr. Even-Chen, Chief Financial Officer and executive Director. The share appreciation rights were granted to Mr. Elimelech and Mr. Even-Chen on 30 December 2016.

The remuneration of the Directors in 2016 (including directors who resigned from the Board during 2016) was as follows (all amounts in USD):

	2016 Fees	2015 Fees
1 Alastair Gordon	92,813	91,118
2 Charles Fairbairn ⁱ	72,747	109,245
3 Penelope Judd ⁱⁱ	36,934	
4 Daniel King	69,016	49,318
5 Gal Haber	377,545	289,657
6 Asaf Elimelech ⁱⁱⁱ	524,319	
7 Elad Even-Chen ^{iv}	770,113	
Paul Boyle ^v	23,849	75,697
Alon Gonen ^{vi}	377,545	289,657
Inbal Marom ^{vii}	426,115	192,726

i. Including fees of USD 34,695 for additional days during 2015

ii. Ms. Judd joined the Board in June 2016

iii. Mr. Elimelech joined the Board in February 2016

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

v. Mr. Boyle resigned from the Board in May 2016

vi. Mr. Gonen resigned from the Board in February 2016

vii. Ms. Marom resigned from 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: (i) recommending to the Board a compensation policy for Directors and executives and monitoring its implementation; (ii) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the Chairman of the Board, each executive and non-executive director and the Chief Executive Officer (including bonuses, incentive payments and share options or other share awards); and (iii) approving and recommending to the

Board the total individual remuneration package of the Company Secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Company's policy and in consultation with the Chairman of the Board and/or the Chief Executive Officer. No Director or manager may be involved in any discussions as to their own remuneration. The Remuneration Committee comprises Daniel King, Charles Fairbairn and Penelope Judd and is chaired by Daniel King and operates under written terms of reference.

The remuneration of the Company's eight most highly compensated executives in 2016 (including three of its executive directors and another executive who served as a director during 2016) was as follows (all amounts in USD):

		2016 Fees
1	Elad Even-Chen	770,113
2	Asaf Elimelech	524,319
3	Inbal Marom	426,115
4	Alon Gonen	377,545
5	Gal Haber	377,545
6	Elad Ben Izhak	377,545
7	Omer Elazari	377,545
8	Shlomi Weizmann	377,545

Corporate Governance

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

The Board and Committees

Board

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

On 6 March 2017 the Board is comprised of three executive directors, Gal Haber, Asaf Elimelech and Elad Even-Chen, and four non-executive directors, Alastair Gordon (Chairman of the Board), Charles Fairbairn (Senior Non-Executive Director), Daniel King and Penelope Judd.

The performance of the Board, the Board committees and the individual Board members is assessed on an evaluation of Board performance survey conducted on an annual basis via questionnaire and board discussion. In addition, an external review of the Board performance and the Company’s corporate governance framework has been conducted by an external advisor in 2016. The recommendations of the external advisor’s review were implemented by the Company.

The Board has met on twelve occasions since the beginning of 2016 to discuss operational business. The Board also holds occasional telephone calls to update

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

In accordance with the Companies Law, the Board must always have at least two 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.

Remuneration Committee

The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Company’s policy on the remuneration packages of the

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

The UK Corporate Governance Code recommends that a remuneration committee should comprise at least three members who are independent non-executive directors. The Remuneration Committee comprises Daniel King, Charles Fairbairn and Penelope Judd and is chaired by Daniel King and operates under written terms of reference. The Remuneration Report on pages 40 to 41 contains a detailed description of the Company's remuneration policy. The committee met on four occasions since the beginning of 2016.

The quorum for meetings is two independent non-executive director members, and all relevant committee members attended the meetings. During these meetings the committee determined and agreed with the Board about the Company's remuneration philosophy and the principles of its remuneration policy, ensuring that these are in line with the business strategy, objectives, values and long-term interests of the Company and comply with all regulatory requirements. In addition, in 2016 the committee, together with an external dedicated consultant, reviewed the Company's remuneration practices in relation to the Board's risk appetite statements ensuring that remuneration does not encourage excessive risk-taking. As a result of this review the executive Directors' remuneration was amended and approved by the Company's shareholders at Extraordinary Shareholders Meeting held in December 2016. This is determined within the Company's risk management and internal control framework and takes account of

the Company's values and the long-term interests of shareholders, fund investors and other stakeholders.

Nomination Committee

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

The UK Corporate Governance Code recommends that a majority of members of the nomination committee should be independent non-executive directors. The Nomination Committee in 2016 comprised Daniel King, Gal Haber and Charles Fairbairn and is chaired by Daniel King. The committee met on four occasions in relation to the appointment of Penelope Judd, Asaf Elimelech and Elad Even-Chen, the re-election of Alastair Gordon, Gal Haber, Asaf Elimelech and Inbal Marom, for review of the Company organizational 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 forthcoming Annual General Meeting. The Nomination Committee's members believe that the directors put forward for re-election at the forthcoming Annual General Meeting continue to be effective and demonstrate commitment to their role. The Nomination Committee and Board unanimously recommend the re-election of all Board members offering themselves for re-election.

Audit Committee

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

to review the internal auditor's audit plan and to establish and monitor whistle-blower procedures. The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience. The Audit Committee comprises Charles Fairbairn, Penelope Judd and Daniel King, and is chaired by Charles Fairbairn. The committee operates under written terms of reference and meets at least twice a year with the Company's external auditors, and with the executive directors present by invitation only. The committee meets with the external auditors without the executive directors present as it considers appropriate. The committee met on six occasions since the beginning of 2016. Among others, the committee reviewed the financial performance and financial statements of the Company, review an assessment of the control environment, via internal audit reports, and progress on implementing both internal and external audit recommendations, monitor and review the internal audit function's effectiveness in the overall context of the Group's internal controls and risk management systems.

Regulatory and Risk Committee

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 and regulatory authorities, where appropriate, in jurisdictions where the Company has a significant presence; reviewing risk assessment programme and internal controls and risk management.

The Regulatory and Risk Committee comprises Charles Fairbairn, Penelope Judd, Asaf Elimelech and Elad Even-Chen, and is chaired by Penelope Judd. The committee met on three occasions since establishment in August 2016. The quorum for meetings is two director members, and all relevant committee members attended the meetings.

Disclosure Committee

The Disclosure Committee has responsibility 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. The Disclosure Committee in 2016 comprised Charles Fairbairn, Asaf

Elimelech and Elad Even-Chen and is chaired by Elad Even-Chen. The committee met on five occasions since the beginning of 2016. The quorum for meetings is two director members, one of whom must be an executive director and all relevant committee members attended the meetings.

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 approval of the Board. The transaction must not be approved if it is adverse to the Company's interest. If the transaction is an extraordinary transaction (i.e. a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities), then Audit Committee approval is required in addition to Board approval. If the transaction concerns exculpation, indemnification, insurance or compensation of the director, then the approvals of the Remuneration Committee, the Board and the shareholders by way of ordinary resolution are required (in that order). A Director who has a personal interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the matter. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the transaction, the shareholders' approval, by way of ordinary resolution, is also required. The authorisation of a conflict matter, and the terms of authorisation, may be reviewed at any time by the Board. The Board considers that these procedures are operating effectively. There have been no matters arising requiring assessment by the Board as a potential conflict during the year.

Relationship with Shareholders

The Company encourages the participation of both institutional and private investors. The Chief Executive Officer, 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, organizational and compliance issues. The Company's organisational structure has clearly defined lines of authority, responsibility and accountability, which is reviewed regularly. The annual budget and forecasts are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Company and the online financial trading industry as a whole along with associated financial and regulatory risks.

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

- a review by the Board of actual results compared with budget and forecasts;
- reviews by the Board of year end forecasts;
- the establishment of procedures for acquisitions, capital expenditure and expenditure incurred in the ordinary course of business;
- the appraisal and approval of proposed acquisitions - by the Board;
- the detailed budgeting and monitoring of costs incurred on the development of new products;
- the reporting to, and review by, the Board of changes in legislation, regulatory requirements and practices within the sector and accounting and regulatory and legal developments pertinent to the Company; and

- the appointing of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

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

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

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.

Corporate Law

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 (ii) 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.

2016 FINANCIALS



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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

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

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

FINANCIAL STATEMENTS



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Report of the Auditors

To the shareholders of Plus500 Ltd.

We have audited the accompanying consolidated statements of financial position of Plus500 Ltd. (hereafter - the Company) as of 31 December 2016 and 2015, 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 2016. 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 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for each of the two years in the period ended 31 December 2016, in accordance with International Financial Reporting Standards (IFRS).

Haifa, Israel
6 March 2017

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

Kesselman & Kesselman, Building 25, MATAM, P.O BOX 15084 Haifa, 3190500, Israel
Telephone: +972 -4- 8605000, Fax: +972 -4- 8605001, www.pwc.com/il

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December	
		2016	2015
	Note	U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	10a	136,481	156,497
Short-term bank deposit		37	38
Restricted deposits	8	356	181
Accounts receivable	10b	9,690	9,761
Income tax receivable	7	4,147	227
		150,711	166,704
NON-CURRENT ASSETS:			
Long term restricted deposit	8	102	24
Property, plant and equipment, net	4	3,429	1,977
Intangible assets, net	5	113	92
Deferred income taxes	7	353	173
		3,997	2,266
Total assets		154,708	168,970

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		As of 31 December	
		2016	2015
	Note	U.S. dollars in thousands	
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Trade payables – due to clients	10c	1,588	1,519
Other accounts payable and accruals:	10d		
Service supplies		5,827	13,391
Other		7,083	3,480
Income tax payable	7	1,912	7,972
Share-based compensation	9	2,298	372
Dividend	6	-	24,368
		18,708	51,102
NON-CURRENT LIABILITIES-			
Share-based compensation	9	-	214
EQUITY:			
Ordinary shares		317	317
Share premium		22,220	22,220
Retained earnings		113,463	95,117
Total equity		136,000	117,654
Total equity and liabilities		154,708	168,970

Asaf Elimelech
Chief Executive Officer

Elad Even-Chen
Group Chief Financial Officer

Alastair Neil Gordon
Non-Executive Director and
Chairman

Date of approval of the annual financial information by the Company's Board of Directors:
6 March 2017

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2016	2015
	Note	U.S. dollars in thousands	
TRADING INCOME		327,927	275,651
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:			
Selling and marketing	11a	157,277	125,413
Administrative and general	11b	20,132	17,647
Loss on disposal of property, plant and equipment		-	109
INCOME FROM OPERATIONS		150,518	132,482
Financial income		3,624	178
Financial expenses		2,160	4,776
FINANCING INCOME (EXPENSES) – net		1,464	(4,598)
INCOME BEFORE TAXES ON INCOME		151,982	127,884
TAXES ON INCOME	7	34,740	31,317
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD		117,242	96,567
		In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	15	1.02	0.84

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Retained earnings	Total
U.S. dollars in thousands				
BALANCE AT 1 JANUARY 2015	317	22,220	87,923	110,460
Profit and comprehensive income for the year	-	-	96,567	96,567
TRANSACTION WITH SHAREHOLDERS-				
Dividend	-	-	(89,373)	(89,373)
BALANCE AT 31 DECEMBER 2015	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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	153,294	128,078
Income tax paid – net	(44,548)	(42,658)
Interest received	161	55
Net cash provided by operating activities	108,907	85,475
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits withdrawals	-	1,039
Purchase of deposits	-	(38)
Purchase of restricted deposits	(253)	(136)
Purchase of property, plant and equipment	(1,905)	(819)
Proceeds from sale of property, plant and equipment	-	26
Purchase of intangible assets	(47)	(54)
Net cash provided by (used in) investing activities	(2,205)	18
CASH FLOWS FROM FINANCING ACTIVITIES-		
Dividend paid to equity holders of the Company (see Appendix B)	(123,264)	(65,005)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,562)	20,488
Balance of cash and cash equivalents at beginning of year	156,497	139,164
Losses from exchange differences on cash and cash equivalents	(3,454)	(3,155)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	136,481	156,497

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS		
APPENDIX A:		
CASH GENERATED FROM OPERATIONS -		
Net income for the period	117,242	96,567
ADJUSTMENTS REQUIRED TO REFLECT THE CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation and amortization	479	283
Loss on disposal of property, plant and equipment	-	109
Taxes on income	34,740	31,317
Interest and foreign exchange losses on operating activities	2,942	2,927
	38,161	34,636
OPERATING CHANGES IN WORKING CAPITAL:		
Decrease (increase) in accounts receivable	71	(5,834)
Increase (decrease) in trade payables-due to clients	69	(4,366)
Increase (decrease) in other accounts payable:		
Service supplies	(7,564)	5,560
Other	3,603	1,098
Liability for share-based compensation	2,544	417
Settlement of share-based compensation	(832)	-
	(2,109)	(3,125)
CASH FLOWS FROM OPERATING ACTIVITIES	153,294	128,078

APPENDIX B: NON-CASH TRANSACTIONS-

On 23 November 2015 the Company declared an interim dividend in an amount of \$24,368 thousands (\$0.2121 per share). The dividend was paid to the shareholders on 29 February 2016.

- The accompanying notes are an integral part of the 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 and foreign exchange.

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

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

Plus500AU Pty Ltd (hereafter - AU Subsidiary or 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 license from the New Zealand regulator, the Financial Markets Authority ("FMA") and a license from the South African regulatory ("FSB") (see note 16).

Plus500CY Ltd (hereafter - CY Subsidiary or Plus500CY) is a subsidiary of the Company with its main offices located in Limassol, Cyprus. Plus500CY has a Cyprus Securities and Exchange Commission ("CYSEC") license.

Plus500IL Ltd (hereafter - IL Subsidiary or Plus500IL) is a subsidiary of the Company with its main offices located in Tel Aviv, Israel. Plus500IL is regulated by the Israeli Securities Authority ("ISA") to offer CFDs to Israeli customers.

Plus500BG EOOD (hereafter - BG Subsidiary or Plus500BG) is a subsidiary of the Company located in Sofia, Bulgaria. Plus500BG provides only operational services and it is not regulated.

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 2016 and 2015 and for each of the two years for the period ended on 31 December 2016 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 (hereafter - 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)'.

Note 2 – Summary of Significant Accounting Policies (continued):**e. Property, plant and equipment**

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

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

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

	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.

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

g. Financial instruments (continued):

2. Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the 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 UK Financial Conduct Authority (FCA), Australian Securities and Investments Commission (ASIC), New Zealand Financial Markets Authority (FMA), Cyprus Securities and Exchange Commission (CYSEC) and Israel Securities Authority (ISA), respectively. Such monies are classified as 'segregated client funds' in accordance with the regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts are not reflected as Company's assets in the consolidated statements of financial position.

i. 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 customers 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,

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

j. Trade payables – due to clients (continued):

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 customers 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 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 and foreign exchange. Open client positions are carried at fair market 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. The said commissions are included in 'selling and marketing' expenses and disclosed separately in note 11a.

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.

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

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

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 other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position 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.

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 2016-

Amendment to IAS 1 - "Presentation of financial statements" (hereafter – IAS 1).

The amendment to IAS 1 deals with the following topics: materiality and its impact on disclosures in the financial statements, disaggregation and subtotals, order of notes in the financial statements and disclosure of new accounting policy.

This amendment did not have a significant effect on the Group's financial statements.

2. New and amended standards not yet adopted by the Group for reporting periods starting 1 January 2016:

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 relates 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 OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

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

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

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. Early adoption is permitted. The Group estimates that there will be no material impact in the application of IFRS 9 on its financial statements.

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 is exploring the expected impact of IFRS 15 on its financial statements.

a. 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.

b. 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 1 January 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 retail clients only, primarily on commodities, indices, stocks, options, ETFs and foreign exchange. The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group'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.

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

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

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

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

1. Market price risk

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

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

Exposure limits are set by the risk manager for each product, and also for groups of products where it is considered that their price movements are likely to be positively correlated.

Note 3 - Financial Risk Management (continued):**Daily profit on closed positions:**

	2016	2015
U.S. dollars in thousands		
Highest profit	7,917	5,732
Highest loss	(2,610)	(725)
Average	864	757

During the years 2016 and 2015, as to the closed positions, there were 312 and 337 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 2016, if the U.S. dollar had strengthened by 1% against Pound sterling with all other variables unchanged the exposure in respect of balances denominated in Pound sterling on income after taxes is \$ 27 thousand (2015: \$ 61 thousand); if the U.S. dollar had strengthened by 1% against Euro with all other variables unchanged the exposure in respect of balance denominated in Euro on income after taxes is \$ 64 thousand (2015: \$ 109 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 \$ 54 thousand (2015: \$ 85 thousand).

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

b. Credit risk

The Group operates a real-time market-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, their 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 2016 and 2015 counterparties holding about 96% and 84%, respectively, of the

Note 3 - Financial Risk Management (continued):

Group's cash and cash equivalents, credit cards and deposits are Barclays, Bank Leumi, Credit Suisse, Commonwealth Bank, Societe Generale and BNP. The credit ratings as of 31 December 2016 are as follows:

Financial institution	Rating*
Credit Suisse	A
Commonwealth Bank	AA-
Societe Generale	A
Barclays	A-
Bank Leumi	A-
BNP	A

* The Financial institutions were rated by the same third party

The remaining counterparties, for the year ended 31 December 2016 and 2015 hold about 4%, and 16%, 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 6% of total cash and cash equivalents.

The Group's largest credit exposure to any single bank as of 31 December 2016 was \$ 54,301 thousands or 27% of the exposure to all banks (2015: \$ 65,231 thousands or 33%).

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).

d. Liquidity risk

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

Liquidity risk is managed centrally and on a Group-

wide basis. The Group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

The Group'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 retail client funds in segregated client money accounts. A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

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

e. Capital Management:

1. The UK Subsidiary is regulated by the UK's Financial Conduct Authority ("FCA"). The UK Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter - Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter - Pillar 2). The UK Subsidiary manages its regulatory capital 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 2016 and 2015, the UK Subsidiary had £ 16,436 thousands and £ 19,061 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 the Cyprus Securities and Exchange Commission (the "CySEC"). The CY Subsidiary manages its capital

Note 3 - Financial Risk Management (continued):

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 2016 and 2015, the regulatory capital of the CY Subsidiary was €18,046 thousands and €12,373 thousands, respectively, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

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 the Australian Securities and Investment Commission (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 2016 and 2015, the AU Subsidiary held Net Tangible Assets of \$8,983 thousands and \$7,326 thousands, respectively of regulatory capital, which is in excess of its NTA requirements.

4. The IL Subsidiary is regulated by the Israeli Securities Authority (hereafter – 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 2016, the IL Subsidiary held regulated capital of \$3,202 thousands, which is in excess of its ISA requirements.

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.

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.

Plus500 Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Note 4 - Property, Plant and Equipment:

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

b. Composition of assets, grouped by major classifications and changes therein in 2015 is as follows:

	Cost			Accumulated depreciation			Depreciated balance		
	Balance at beginning of year	Additions during the year	Disposals during the year	Balance at end of the year	Balance at beginning of year	Additions during the year	Disposals during the year	Balance at end of the year	As of 31 December 2015
	U.S. dollars in thousands			U.S. dollars in thousands			U.S. dollars in thousands		
Computers and office equipment	455	421	(189)	687	238	108	(54)	292	395
Leasehold improvements	1,435	398		1,833	95	156		251	1,582
	1,890	819	(189)	2,520	333	264	(54)	543	1,977

Note 5 - Intangible Assets

	Cost	Accumulated amortization	Cost	Accumulated amortization
	As of 31 December 2016		As of 31 December 2015	
	U.S. dollars in thousands		U.S. dollars in thousands	
Software	201	88	154	62

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

Note 6 - Share Capital

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

	Number of shares	
	31 December	
	2016	2015
Authorized	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377

The amounts of dividends and the amounts of dividends per share for the years 2016 and 2015 declared and distribute by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend in thousands of \$
24 February 2015	65,005
23 November 2015	24,368
16 February 2016	72,196
2 September 2016	26,700

The dividends paid in 2016 and 2015 amounted to \$123,264 thousands (along with dividend declared on 23 November 2015 in the amount of \$24,368 thousands and paid to shareholders on 29 February 2016) (\$1.073 per share) and \$65,005 thousands (\$0.566 per share), respectively.

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 will be 24% in 2017 and 23% in 2018 and thereafter.

The decrease in the tax rate did not materially affect the Company's deferred tax assets.

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 is 20%.

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%.

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 2016 and 2015 in total amount of \$353 thousands and \$173 thousands, respectively, is presented among "non-current assets". The Deferred tax assets in 2016 and 2015 were computed at tax rate of 24% and 26.5%, respectively.

The Deferred tax assets which will be settled in 2017 are in total amount of \$353 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:

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
Current taxes:		
Current taxes in respect of current year's profits	34,920	31,181
Current taxes in respect of previous years	-	(186)
	34,920	30,995
Deferred taxes:		
Reversal (recognition) of deferred taxes asset (see c above)	(196)	322
Changes in tax rates applicable to deferred tax assets	16	-
Taxes on income expenses	34,740	31,317

e. Reconciliation of the theoretical tax expense

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

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
Income before taxes on income, as reported in the income statements	151,982	127,884
Theoretical tax expense in respect of this year's income - at 25% (2015: 26.5%)	37,996	33,889
Decrease in taxes resulting from different tax rates applicable to foreign subsidiaries	(2,504)	(2,287)
Decrease in taxes in respect of currency differences and expenses not deductible for tax purposes	(768)	(99)
Decrease in taxes resulting of final tax assessments	-	(186)
Increase in taxes resulting from changes in tax rates applicable to deferred tax assets	16	-
Taxes on income for the reported period	34,740	31,317

Note 7 - Taxes on Income (continued):

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

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

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

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

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

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 to 2013 may be extended to cover 2014, 2015 and 2016 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014, 2015 and 2016, management expects at this stage that the new legislation will not apply to tax years preceding 2017.

Considering that the temporary provision applies to the 2007-2013 tax years and Company's assessment on the likelihood for extension to cover 2014, 2015 and 2016, as above, the Company computed its taxable income for 2009-2016 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 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 restricted deposit serves as a security for a bank guarantee provided in favor of the said third party in the amount of US \$ 278 thousands (NIS 1,069 thousands) until 30 June 2017.

In addition, the IL Subsidiary has restricted deposits in amounts of US \$103 thousands and the BG Subsidiary has restricted deposits in amounts of US \$77 thousands.

Note 9 – Share-Based Compensation

The Group grants "Share Appreciation Rights" to selected employees upon approval of the Board of Directors (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.

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.

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

As of 31 December 2016 and 2015 the Group recognized a liability at fair value of \$2,298 thousands and \$586 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 the year 2015, the Group recognized expenses within 'Administrative and general expenses', with respect of the grant, in amount of \$417 thousands.

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.

In December 2016, 1 employee had the right to exercise 52 rights for cash in total amount of \$42 thousands. The exercise price per granted right is approximately \$808.

During 2016, 304 rights were forfeited.

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

Note 10 - Supplementary Statement of Financial Position Information:**a. Cash and cash equivalents***Cash and cash equivalents by currency of denomination*

	31 December	
	2016	2015
	U.S. dollars in thousands	
USD	120,253	118,445
EURO	43,338	41,751
GBP	10,995	16,299
AUD	11,050	13,470
NIS	6,683	*3,505
Other	6,530	*2,798
Gross cash and cash equivalents	198,849	196,268
Less: segregated client funds	(62,368)	(39,771)
Own cash and cash equivalents	136,481	156,497

*Reclassified

b. Accounts receivable

	31 December	
	2016	2015
	U.S. dollars in thousands	
Prepaid expenses	6,235	4,827
Credit cards	3,097	1,994
Other	358	2,940
	9,690	9,761

As of 31 December 2016 and 2015, the total amount of 'prepaid expenses' includes expenses from the Company's sponsorship agreement with Atletico Madrid Football Club in amount of \$5,521 thousands and \$3,991 thousands, respectively (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.

Note 10 - Supplementary Statement of Financial Position Information:**c. Trade payables – due to clients:**

	31 December	
	2016	2015
	U.S. dollars in thousands	
Customers deposits, net*	63,956	41,290
Segregated client funds	(62,368)	(39,771)
	1,588	1,519
*Customers deposits, net are comprised of the following:		
Customers deposits	83,580	47,469
Less- financial derivative open positions:		
Gross amount of assets	(25,902)	(8,982)
Gross amount of liabilities	6,278	2,803
	63,956	41,290

As of 31 December 2016 and 2015, 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 service supplies are comprised mainly of amounts due to advertising service suppliers.
2. Other

	31 December	
	2016	2015
	U.S. dollars in thousands	
Payroll and related expenses	3,010	971
Accrued expenses	4,054	2,464
Other	19	45
	7,083	3,480

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.

Note 11 - Supplementary Statement of Comprehensive Income Information:

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
a. Selling and marketing expenses:		
Payroll and related expenses	9,784	* 5,816
Share-based compensation	1,415	-
Commission to agents	8,773	5,950
Advertising	116,075	*97,810
Commissions to processing companies	14,323	10,683
Server and data feeds commissions	4,451	3,337
Third party customer support	1,859	1,296
Sundry	597	521
	157,277	125,413
b. Administrative and general expenses:		
Payroll and related expenses	6,831	5,829
Professional fees and regulatory fees	5,486	7,051
Share-based compensation	1,129	417
Office expenses	2,754	1,888
Traveling expenses	553	500
Public company expenses	997	969
Irrevocable VAT	1,872	*652
Sundry	510	*341
	20,132	17,647

*Reclassified

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 2016 and 2015, the balance of the Company's liability in respect of these services amounts is \$163 thousands and \$128 thousands respectively; the said liability is recorded among 'Accrued expenses' (see note 10d(2)).

In 2016 and 2015, the Company paid service fees to related parties at the total amount of \$1,888 thousands and \$1,479 thousands, respectively. A total of \$1,510 thousands and \$1,183 thousands were recognized as payroll and related expenses under the 'Selling and marketing expenses' item for the years 2016 and 2015, respectively. The remaining balance of \$ 378 thousands and \$296 thousands was recognized as payroll and related expenses under the 'Administrative and general expenses' item in 2016 and 2015, respectively.

In 2016 and 2015, the Company paid directors fees at the total amount of \$645 thousands and \$ 639 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	
	2016	2015
	U.S. dollars in thousands	
United Kingdom	61,378	42,457
Europe	200,653	184,613
Other	65,896	48,581
	327,927	275,651

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	
2017	756
2018	756
2019	252
Total	1,764

- b. The Company and Club Atlético de Madrid, S.A.D. (hereafter - Atlético Madrid) entered into a sponsorship agreement on 6 January 2015 under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2015/16 and 2016/17 seasons. See also note 16.
- c. The Company and Brumbies Rugby, the Australian professional rugby union team (hereafter - the Brumbies) entered into a sponsorship agreement on 5 December 2016 under which the Company is entitled to advertise and promote itself as the official sponsor of the Brumbies for the 2017/2018 season.

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.

	Year ended 31 December	
	2016	2015
	U.S. dollars in thousands	
Profit attributable to equity holders of the Company (In U.S dollars)	117,242,000	96,567,000
Weighted average number of ordinary shares in issue	114,888,377	114,888,377

NOTE 16 - SUBSEQUENT EVENTS:

- a. On 9 January 2017, the Company announced that its sponsorship agreement with Atlético Madrid will continue to 2017/2018 season.
- b. On 7 February 2017, the Company's Board of Directors declared the distribution of a dividend of \$ 0.3799 per share, in the total amount of \$ 43.6 million with an ex-dividend date of 2 March 2017.

In addition to the above, the Board has declared a special dividend of \$ 0.2729 per share, in the total amount of \$31.4 million with an ex-dividend date of 2 March 2017.

- c. On 9 February 2017, the Company announced that the Financial Services Board, the South African authority that oversees the non-banking financial services industry, has granted Plus500AU a license to operate an online trading platform for retail customers to trade CFDs in South Africa.

FURTHER INFORMATION



Advisors

Nominated Advisor and Broker

Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY, UK

Joint Broker

Berenberg
Joh. Berenberg, Gossler & Co. KG
60 Threadneedle Street
London EC2R 8HP, UK

Independent Auditors

Kesselman & Kesselman, a member firm of
PricewaterhouseCoopers International Limited
Building 25, MATAM
Haifa 3190500, Israel

Financial PR

MHP Communications
6 Agar Street
London WC2N 4HN, UK

Legal Advisor (Israel)

Naschitz, Brandes, Amir & Co.
5 Tuval Street
Tel Aviv 6789717, Israel

Legal Advisor (United Kingdom)

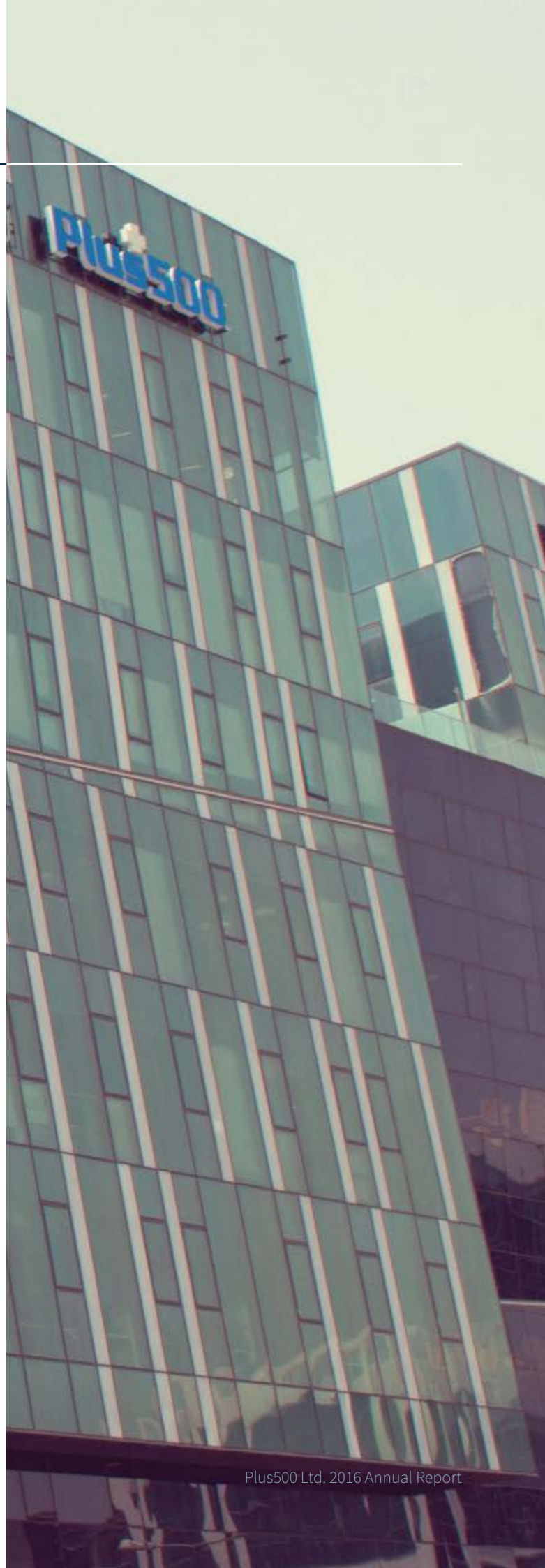
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA, UK

Depository

Capita IRG Trustees Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU, UK

Registrar

Capita Registrars (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey GY2 4LH, UK



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