

*Plus500 Limited*

# **ANNUAL REPORT AND ACCOUNTS** 2019



**Plus<sup>+</sup>500**



## ABOUT PLUS500

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Plus500 Ltd. (the "Company" and together with its subsidiaries, the "Group") is a leading online provider of Contracts for Difference ("CFDs"). Plus500 has developed and operates a leading online trading platform for individual customers to trade CFDs internationally with reference to more than 2,800 different underlying global financial instruments, comprising equities, indices, commodities, options, exchange-traded funds ("ETFs"), cryptocurrencies and foreign exchange. Customers of Plus500 can trade CFDs in more than 50 countries and in 32 languages. The trading platform is accessible from multiple operating systems (Windows, iOS, Android and Surface) and web browsers.

Plus500 shares have a premium listing on the Main Market of the London Stock Exchange (symbol: PLUS) and are a constituent of the FTSE 250 index.

Plus500 retains operating licences and is regulated in the United Kingdom, Australia, Cyprus, New Zealand, Israel, South Africa, Singapore and the Seychelles.

Customer care is and has always been integral to Plus500, as such, customers cannot be subject to negative balances. A free demo account is available on an unlimited basis for platform users and sophisticated risk management tools are provided free of charge to manage leveraged exposure, and stop losses to help customers protect profits, while limiting capital losses. Plus500 does not utilise cold calling techniques and does not offer binary options.







# TABLE OF CONTENTS

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## STRATEGIC REPORT

2019 Highlights	3
Chairman's Statement	5
Chief Executive Officer's Statement	9
Our Strategy	13
Our Business Model	15
Key Stakeholder Relationships	21
Key Performance Indicators	23
Our Technology	25
Our Markets	27
Financial Review	29
Risk Management Framework	33
Going Concern and Viability Statement	39
Corporate Social Responsibility Report	41
Sponsorships	45

## GOVERNANCE

Chairman's Introduction to Governance	51
Board of Directors	53
UK Corporate Governance Code Compliance Statement	57
Governance Report	58
Shareholder Engagement	63
Report of the Nomination Committee	65
Report of the Audit Committee	71
Report of the Regulatory & Risk Committee	77
Report of the Remuneration Committee	79
Directors' Remuneration Report	87
Directors' Report	97
Corporate Law	99
Directors' Responsibility Statement	101

## FINANCIAL STATEMENTS

Independent Report of the Auditors	105
Consolidated Statement of Comprehensive Income	110
Consolidated Statement of Financial Position	111
Consolidated Statement of Changes in Equity	113
Consolidated Statement of Cash Flows	114
Notes to the Consolidated Financial Statements	115

## FURTHER INFORMATION

Advisors	142
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A hand holding a smartphone is shown in the upper left. The background is a composite image featuring a city skyline at night, overlaid with a network of glowing lines and data points, suggesting a digital or technological theme.

*Plus500 Limited*

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# STRATEGIC REPORT

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Sell

Sell

Buy



# 2019 HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

2019 was a year of two distinct halves with strong improvement in H2 2019:

- Robust performance across all key metrics in H2 2019 compared to H1 2019, which was impacted by extremely low volatility in Q1 2019. Strong H2 2019 was mainly driven by increased trading opportunities identified by customers, reflecting more volatile market conditions during the rest of the year.
  - H2 2019 revenues up 40% vs. H1 2019, to \$206.5 million (H1 2019: \$148.0 million) (FY 2019: \$354.5 million, FY 2018: \$720.4 million);
  - H2 2019 EBITDA up 93% vs. H1 2019, to \$126.7 million (H1 2019: \$65.6 million) (FY 2019: \$192.3 million, FY 2018: \$506.0 million);
  - H2 2019 Net Profit up 94% vs. H1 2019, to \$100.1 million (H1 2019: \$51.6 million) (FY 2019: \$151.7 million, FY 2018: \$379.0 million).
- 2019 marked the first full year of trading under the new regulatory regime introduced by European regulators, with customer trading patterns adjusting through the year.

## OPERATIONAL HIGHLIGHTS

- Average of approximately 3 million customer trades per month in 2019;
- Average deposit per Active Customer increased 19% year on year at \$5,116 (FY 2018: \$4,284), reflecting our customers' continued and strong trust in our trading platform;
- Continued investment in technology and innovation to further enhance the Group's customer proposition through the introduction of new features, trading instruments and trading tools, support channels and an improved customer interface.
- Increased focus on our core markets and continued expansion of global presence:
  - Successfully retained leading industry positions in core markets as the largest CFD provider in the UK<sup>4</sup>, Germany<sup>5</sup> and Spain<sup>6</sup> and as the top rated mobile platform among CFD traders in Australia<sup>7</sup>;
  - Following the year end, a new securities dealer licence was issued by the Financial Services Authority in the Seychelles, further complementing the Group's seven existing regulatory licences internationally and reflects the Group's robust regulatory regime.

### REVENUE



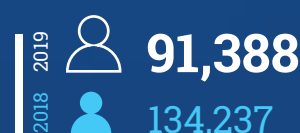
### EBITDA<sup>1</sup>



### ACTIVE CUSTOMERS<sup>2</sup>



### NEW CUSTOMERS<sup>3</sup>





## SHAREHOLDER RETURNS

Plus500 continues to deliver significant shareholder returns:

100% of 2019 net profit to be distributed to shareholders – equivalent to a total of \$151.7 million.

- Interim dividend of \$30.9 million distributed in November 2019;
- Final dividend of \$40.8 million (FY 2018: \$70.2 million), or \$0.3767 per share (FY 2018: \$0.6191 per share);
- \$80 million in share buyback programmes, including a \$50 million share buyback programme announced in August 2019 executed in full and a new share buyback programme to purchase \$30 million of the Company's shares declared in February 2020.



\* For illustrative purposes

- 1 Earnings before Interest, Taxes, Depreciation and Amortisation
- 2 Active Customers – Customers who made at least one real money trade during the period
- 3 New Customers – Customers depositing for the first time during the period
- 4 By total number of relationships with UK CFD traders. Investment Trends 2019 UK Leverage Trading Report
- 5 By total number of client relationships. Investment Trends 2019 Germany Leverage Trading Report
- 6 By total number of client relationships. Investment Trends 2019 Spain Leverage Trading Report
- 7 By own client rating. Investment Trends 2018 Australia Leveraged Trading Report

# CHAIRMAN'S STATEMENT



*"Looking to 2020 we are confident of the prospects for the Group as we focus on further strengthening our customer offering and market positions."*

**Penny Judd**  
Chairman

## INTRODUCTION

2019 marked the first full year under the new regulatory regime in Europe and I am pleased with the operational progress we made during the year. This included:

- a robust performance with strong improvement in H2 2019, finishing the year in good financial shape
- continued delivery of significant shareholder returns
- retained leading industry positions in core markets and continued expansion of global presence
- enhanced customer proposition through ongoing investment in technology and innovation

## OUR COMPETITIVE ADVANTAGE

We believe that the Company's technology capabilities, which continue to be developed internally, are a key differentiator to its competitors. Our proprietary technology provides the ability to react and implement changes to both our trading platform and marketing activities rapidly, resulting in a highly attractive and dynamic customer offering.

We continued to invest in our technology, operational and regulatory framework during the year, enhancing our ability to cater to each of our customers in the

relevant platform, language, market and regulatory environment. This investment is expected to provide long term benefits to customer acquisition and activity whilst enhancing efficiency and financial returns.

## REGULATION

During the year, and as anticipated, the majority of EU-member states adopted national product intervention measures relating to CFDs, reflecting the ESMA product intervention measures which came into force in August 2018.

In August 2019, the Australian Securities and Investments Commission (ASIC), released a consultation paper which sets out its proposals to exercise its power to make certain market-wide product intervention orders and impose certain restrictions on the sale and marketing of CFDs to retail customers. This is anticipated to take place during 2020 and is expected to result in a similar impact on the industry in Australia as ESMA's intervention measures had in Europe during 2018-2019.

As evidenced in the period following the implementation of ESMA's regulations, the Board believes that the Group's high levels of investment in regulatory compliance, alongside its flexible business model and advanced technological capabilities, will enable it to adjust rapidly and efficiently to any future changes.



The UK left the European Union on 31 January 2020 and is now in a transitional period until 31 December 2020. Between now and the end of the year, EU law will continue to apply with no change. Plus500 remains well prepared for various scenarios for the UK's exit from the EU, supported by the Group's separate EU licence in Cyprus which enables it to operate in EU regulated jurisdictions, in line with applicable regulatory requirements. Plus500 will continue to assess any future developments relating to the UK's exit from the EU.

Following the year end, in January 2020, a new licence was granted to the Group by the Financial Services Authority in the Seychelles, further complementing the Group's seven existing licences across the globe.

## **SHAREHOLDER RETURNS**

The Company's core shareholder returns policy is to return at least 60% of net profits to shareholders, through a combination of dividends and share buybacks, with at least 50% of this distribution being made by way of dividends. This policy applies to net profits on a half-yearly basis.

The Board declared a final dividend of \$40.8 million for the year ended 31 December 2019 representing

\$0.3767 per share (final dividend 2018: \$0.6191 per share). This makes a total dividend for the year of \$0.6501 per share (total dividend for 2018: \$1.9977 per share).

The Board determined at the time of the Group's half year results in August 2019 that enhanced shareholder value could be delivered from buying back the Company's shares and, as a consequence, a material share buyback programme to purchase up to \$50 million of the Company's shares was announced. In 2019 the Company purchased 4,259,066 Ordinary Shares in accordance with this programme, amounting to a total of \$41.2 million, at an average share price of £7.66. Following the year end, the share buyback programme continued to its completion, and an additional 749,854 Ordinary Shares have been purchased, amounting to a total of \$8.8 million, at an average share price of £9.06.

A new share buyback programme was commenced in February 2020 to buy back up to \$30 million of the Company's shares.

## **STRATEGY**

We remain confident in the prospects of the business going forward. Future success and value creation will be based on delivery on a number of fronts including multiple additional growth opportunities:

- expansion into new geographic regions and acceleration within current regions through additional regulatory licences;
- product extension enabled by further development of the current technology platform, enhancing customer acquisition rates and improving retention levels;
- value-adding targeted acquisitions, made possible by the imposition of increasingly strenuous regulatory standards, which enhance the position of the compliant industry leaders.

## OUTLOOK

We believe that customer trading patterns have now adjusted and stabilised following the regulatory changes introduced in Europe last year.

In addition, we believe that, as seen during recent periods of regulatory change, the Group's flexible business model, optimised cost base and technological advantage will enable it to adjust rapidly to any future regulation, including the impact of any changes expected to be introduced in Australia during 2020.

The safety and wellbeing of our employees remains the Company's utmost priority. In accordance with our business continuity plans and in light of local regulation following the outbreak of COVID-19, our staff globally are now operating remotely. Benefitting from our operations being entirely online, there has been no operational impact from the COVID-19 pandemic to date. The business has been functioning successfully maintaining the same high quality of service while handling significantly increased workloads in respect of customer enquiries and market activity; this demonstrates the robustness of the Group's platform, systems and infrastructure and the quality of its technology and people.

The Board will continue to ensure the welfare of our staff whilst monitoring the impact of COVID-19, taking necessary actions as appropriate.

Like other operators in the sector, Plus500's financial performance in 2020 will be dependent, among other things, on financial market conditions providing sufficient trading opportunities for customers.

We are encouraged by the momentum the Group built in the second half of 2019, which continued into 2020 as the Group experienced a significant increase in levels of customer trading activity following heightened volumes of trading across global financial markets. As a result, trading during the first quarter to date has been trending substantially ahead of the last quarter of 2019. While it is too early to say what impact this will have on the outcome for 2020 as a whole, we are confident on our outlook for the year ahead.

Overall, we remain optimistic about the potential to deliver growth in existing and new markets, as well as continue providing strong shareholder returns.



**Penny Judd**  
**Chairman**

6 April 2020





# CHIEF EXECUTIVE OFFICER'S STATEMENT



*"Plus500 considers its human capital to be its most valuable asset and a key element in the ongoing optimisation of the Group's platform and ability to recruit and retain higher value customers."*

**Asaf Elimelech**

Chief Executive Officer

## INTRODUCTION

We finished 2019 in good financial and operational shape following a period of change for the industry, which has provided a more certain regulatory outlook for Plus500 and the industry as a whole.

We were particularly pleased with the strong improvement in financial performance in the second half of 2019 and believe that customer trading patterns have now adjusted following the regulatory changes introduced in Europe last year. We continue to monitor and prepare for any potential product intervention measures that are expected to take place in Australia during 2020.

I am also encouraged by the trading momentum we have shown through the year end, reflecting continued optimisation of our marketing spend, enhancements to our customer service, improvements in our proprietary technology platform and additional cost optimisation.

We are further pleased in our ability to provide significant value to our shareholders with the delivery of strong returns representing 100% of our 2019 net profit.

## OPERATIONAL REVIEW

In 2019, Plus500 acquired a total of 91,388 New Customers. The number of Active Customers was 199,720 for the full year.

There was a slight increase of 0.3% in Active Customers in H2 2019 vs H1 2019, reflecting an improvement in the H2 2019 churn rate of 31% (H1 2019: 34%), which the Group attributes to recent initiatives adopted to enhance the overall customer experience.

Average User Acquisition Cost (AUAC) increased on 2018 levels as the Group invested in marketing to acquire new higher value customers. AUAC saw a 6% reduction in H2 2019 when compared to the first half of 2019, while Average Revenue Per User (ARPU) levels increased by 39% over the same period. The average lifetime value of New Customers is expected to remain at an attractive level, justifying the level of investment allocated to our efficient marketing algorithms. Plus500 expects AUAC to rise steadily over time, as the profile of customers shifts to higher value customers including those who qualify and elect for a professional status.

Average deposit per Active Customer grew by 19% on a year on year basis to \$5,116 (FY 2018: \$4,284). We believe this reflects customers' strong trust and increased appetite to trade on the Plus500 platform. Following a period of regulatory changes in the industry,



greater levels of stability have ensued, bringing greater confidence to customers to continue trading.

During 2019 we continued to focus on the acquisition and retention of highly skilled employees; Plus500 considers its human capital to be its most valuable asset and a key element in the ongoing optimisation of the Group's platform and ability to acquire and retain higher value customers, while continuing to maintain an effective and lean cost structure.

## **RISK MANAGEMENT FRAMEWORK**

Plus500's target audience is exclusively individual customers; the trading platform is not available to institutional or corporate traders. As a result, Plus500 has a low customer concentration and therefore does not rely on trading activity from a small number of very large customers - the largest customer in 2019 contributed less than 1% of total Group revenue.

Additionally, the Company's risk management framework ensures that risk exposures are strictly limited. The Company employs a combination of real-time monitoring technology, predefined limits and internal offsetting techniques across its hundreds of thousands of customers to ensure risk is effectively managed.

Plus500 monitors trading levels and exposure limits (for example by customer, instrument and asset class) and credit risk is limited by ensuring all customer accounts are pre-funded. The Group also offers a margin close-out policy to all of its customers on a cross border basis.

Although Customer Trading Performance<sup>8</sup> fluctuates over the short term and can fluctuate from year to year, the Company considers performance over a longer timeframe, which has tended to be broadly neutral. As per Plus500's business model, revenues are mainly driven by the volume of trades executed on its trading platforms and the associated trading spreads and overnight charges. Over the past six years, Customer Income<sup>9</sup> accounted for approximately 99% of revenues.

## **TECHNOLOGY AND INNOVATION**

We believe that the Group's technology capabilities, which continue to be developed internally, are a key differentiator and represent a significant competitive advantage. Plus500's ability to react and implement changes rapidly enables the Company to adapt to both the Group's needs, as well as to customers' demands, helping to create a highly attractive and dynamic customer offering.

Throughout 2019, the Group continued its investment in its operational and regulatory framework, as well as

its technology, in order to enhance its offering across the broad range of platforms, languages, markets and regulatory environments in which it operates. The ongoing investment and development of these areas will create long term benefits to activity and customer acquisition whilst improving customer experience.

The Group continues to place a strong focus on innovation and technology throughout the entire customer journey – from marketing and customer acquisition process to trading experience, support channels, risk management and back office systems.

Back office processes (such as depositing funds) are also completed using the Group's proprietary technology, which provides smart routing optimisation between various local payment processing companies. The Company also introduced additional alternative payment methods to increase variety and streamline the deposit process. This enables the Group to operate an efficient and lean cost base, while improving the service it can offer to its customers.

The Group's trading platform benefits from its intuitive and user-friendly design, which is accessible from multiple operating systems and provides customers with access to more than 2,800 financial instruments. The upgrades introduced to Plus500's trading platform in 2019 have contributed to an increased appeal to higher value customers; these included:

- an analysis package to its WebTrader, iOS and Android platforms, including volume indicators, drawing tools and an extensive range of technical indicators;
- upgraded WebApp platform interfaces for further user customisation, including traders' ability to alter the appearance of the platform by selecting a light or dark background, with dark mode quickly becoming very popular;
- more than 100 new financial instruments, some of which were unique to Plus500's trading platform, were also added in 2019, as the Group responded rapidly to either news flow or customer demand.

The Company continually seeks to upgrade and enhance its customer service channels, evolving from email to market-leading live chat, for which it was

acknowledged as the UK's no. 1 in satisfaction for online chat customer service in 2019<sup>10</sup>. Integration with WhatsApp was successfully introduced during the first half of 2019 and is already contributing to an overall improved customer service experience, which is available in main languages 24/7. Plus500 was the first major CFD provider to successfully incorporate WhatsApp to its platform as part of its customer support offering.

The Group's mobile and tablet offering continues to be very popular with customers, representing over 80% of total revenues in 2019 (FY 2018: 77%), with 75% of all customer trades being completed on a mobile device (FY 2018: 73%). Plus500 remains the industry leader in mobile as it retains its position as the highest rated app in its sector in both the AppStore and Google's Play Store.

## **GROUP POSITIONING AND CORE VALUES**

Plus500 retains an entrepreneurial approach, adapting rapidly to changing market conditions and customer requirements, resulting in a market-leading offering delivered through cutting-edge proprietary technology. The Company continues to recruit and develop the best people and to focus on being operationally efficient whilst maintaining regulatory compliance.

Our core values include putting our customers and stakeholders at the centre, leading the industry while standing out and providing an innovative, self-developed, high quality product, as well as providing our employees a dynamic and evolving work environment in which they can grow and develop.

## **PLUS500'S GROWTH STRATEGY**

We remain confident in the prospects of the business going forward. Future success and value creation will be based on delivery on a number of fronts:

- The Company has outgrown the competition organically over the past decade in many jurisdictions and is confident this will continue, enabled by superior customer targeting, leading marketing techniques and disciplined customer onboarding processes;

- Profitability has been enhanced by concentration on cost efficiency. Plus500 will continue to emphasise cost control, remaining lean and investing only where it is confident in delivering superior returns;
- The Company is considering multiple additional growth opportunities through:
  1. expansion into new geographic regions and acceleration within current regions through additional regulatory licences;
  2. product extension enabled by further development of the current technology platform, enhancing customer acquisition rates and improving retention levels;
  3. value-adding targeted acquisitions, made possible by the imposition of increasingly strenuous regulatory standards, which enhance the position of the compliant industry leaders;
- Delivering best-in-class customer service is key to success. Plus500 will emphasise enhancements to its current trading platform to build on its reputation for excellent customer service and to provide trading functionality which will appeal to and satisfy the more sophisticated traders;
- Capital discipline will remain a central tenet of Plus500's strategy. The Company will seek to maximise returns for all its stakeholders by either utilising capital which is surplus to operational requirements to deliver superior growth, or returning it to its shareholders.

## OUTLOOK

The Company benefitted from its highly flexible business model in 2019, which, alongside our high levels of investment in regulatory compliance and advanced technological capabilities, enabled us to adjust rapidly and efficiently following the implementation of ESMA's regulation during the year. We believe that customer trading patterns have now adjusted and stabilised following the regulatory changes introduced in Europe last year and continue to monitor and prepare for any potential product

intervention measures that are expected to take place in Australia during 2020.

The momentum built during the second half is testament to the continued optimisation of marketing spend during the year, as well as enhancements to customer service and improvements in the Group's proprietary technology platform.

As a result of the ongoing period of heightened volumes of trading across global financial markets during Q1 2020, the Company has continued to see a significantly increased level of customer trading activity, alongside strong momentum across all financial and operational KPIs. Revenue from Customer Income has been very strong due to the heightened levels of market volatility. We have also experienced gains from Customer Trading Performance, although this is expected to be neutral over time.

Given the uncertainty regarding the duration of the current levels of volatility and the unquantified potential impact from regulatory changes in Australia, it remains difficult to predict the outcome for the full year at this stage.

Nonetheless, our performance in the financial year to date means we enter 2020 with confidence, reflecting further strengthening of our customer offering and market positions, especially in regulated markets where legislation is transparent and brand recognition is already significant. We remain committed to ongoing improvement in the customer trading experience in order to increase retention rates and appeal to more sophisticated and higher value traders; success here is expected to provide incremental revenues in due course.



**Asaf Elimelech**  
**Chief Executive Officer**  
 6 April 2020

8 Customer Trading Performance – Gains/losses on customers' trading positions

9 Customer Income – Revenue from customer spreads and overnight charges

10 Investment Trends 2019 UK Leverage Trading Report



# OUR STRATEGY

By focusing on our core strategic pillars we seek to achieve our goal of being the leading global listed CFD provider

Strategic Objectives	2019 Performance
Maintain leadership in innovation	<ul style="list-style-type: none"><li>• Introduced new features and redesigns to the trading platform to enhance the customer experience through all parts of the customer journey</li><li>• Developed innovative financial instruments, some of which were unique to Plus500's trading platform</li><li>• The Group's technological edge enabled it to comply quickly and efficiently with recent regulatory changes</li></ul>
Grow our customer base in established markets and extend market leadership	<ul style="list-style-type: none"><li>• Maintained its leading position in core markets and international brand recognition</li><li>• Integration with WhatsApp contributing to an overall improved customer service experience, which is available in main languages 24/7</li></ul>
Strengthen and expand our geographical reach into new regions	<ul style="list-style-type: none"><li>• The Group constantly works on expanding into new geographical regions by acquiring new regulatory licences</li></ul>

<sup>11</sup> By total number of client relationships, Investment Trends 2019 UK Leverage Trading Report; Investment Trends 2019 Germany Leverage Trading Report; Investment Trends 2019 Spain Leverage Report

KPIs	Priorities
<ul style="list-style-type: none"> <li>• Immediate release of new instruments in accordance with market trends and customer demand</li> <li>• Number 1 ranking among CFD providers for mobile app in both the AppStore and Google's Play Store, and in number of downloads</li> <li>• Over 80% of revenues from mobile devices (2018: 77%)</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to maintain our market leading position in launching new instruments</li> <li>• Constantly seek to develop the performance and user experience of our trading platform, enhancing customer experience and reducing churn</li> </ul>
<ul style="list-style-type: none"> <li>• 91,388 New Customers (2018: 134,237)</li> <li>• 199,720 Active Customers (2018: 304,616)</li> <li>• ARPU: \$1,775 (2018: \$2,365)</li> <li>• AUAC: \$1,046 (2018: \$934)</li> <li>• Number 1 CFD provider in the UK, Germany and Spain<sup>11</sup></li> <li>• Reduced response times in customer support channels</li> <li>• Increase in customer satisfaction and retention</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to invest in marketing scale and abilities to ensure that it remains a key differentiator and attracts new valuable customers, while optimising our return on investment and improving retention rates</li> <li>• Continue to increase brand awareness in measurable, innovative, cost-effective ways to attract new and valuable customers</li> <li>• Further invest in customer support measures to increase overall customer satisfaction</li> </ul>
<ul style="list-style-type: none"> <li>• Following the year end, in January 2020, a new licence was granted to the Group by the Financial Services Authority in the Seychelles, further complementing the Group's seven existing licences across the globe and reducing specific location regulatory risk</li> </ul>	<ul style="list-style-type: none"> <li>• Extend our global footprint and to continue to diversify revenues through addition of new operating licences</li> </ul>

# OUR BUSINESS MODEL

*Our robust, agile, lean and scalable business model generates operating leverage to create value for our stakeholders*





## WHAT WE DO

Plus500 operates a leading online trading platform for individual customers to trade CFDs internationally. Our internally developed platform provided 199,720 Active Customers with the ability to trade CFDs in over 2,800 underlying financial instruments in 2019



## HOW WE MAXIMISE VALUE

### Clear strategy

Simple and coherent strategy based on constantly evolving our trading platform, enhancing our brand through excellent customer service and growing our customer base in new and established markets

***Read more on page 13***

## HOW WE SHARE VALUE

### SHAREHOLDERS AND INVESTORS

Attractive returns through capital growth, ordinary and special dividends and share buybacks

Total returns in dividends and share buybacks since admission to AIM in 2013 amount to \$919 million\*

***Read more on page 31***

### REGULATORS

The Company contributes to round table discussions within the industry and holds regular dialogue with global regulators

### EMPLOYEES

Providing rewarding careers, with opportunities for training, development and progression

Departmental training sessions are offered globally to continually hone skills and achieve best practice

***Read more on page 41***

\* \$823 million in cash dividends and \$96 million in share buyback programmes, including the \$30 million share buyback programme commenced in February 2020

### **Comprehensive risk management**

Proprietary risk management that incorporates real-time functionality risk management systems and trading threshold triggers to reduce risk

***Read more on page 33***

### **Sound governance**

The Plus500 Board is comprised of experienced individuals with extensive knowledge of finance, regulation and compliance, technology and capital market disciplines

Our Board operates according to the best practices of the main market and, as a premium listed company, we have upgraded our internal policies and procedures to be as compliant as possible, in order to provide our stakeholders with a framework for long term success

***Read more on page 58***

## **CUSTOMERS**

Customers enjoy a highly rated, robust and scalable, user-friendly trading platform with a leading position in the mobile space

Intuitive navigation and consistency minimises the learning curve between devices and improves user experience

Customer centric approach – negative balance protection and maintenance margin automatic close-out are offered to all customers in all geographies at no cost

Unlimited demo account enables potential customers of Plus500 to become familiar with the product and its characteristics prior to conducting any real-money trading

Leadership in innovation

24/7 customer service in multiple languages

## **SPONSORSHIPS**

The cooperation of the Company with its partners provides all parties with stronger brand recognition

***Read more on page 45***

## **SUPPLIERS**

Ongoing growth of the business ensures continued support of the Group's marketing and operations suppliers



## OUR COMPETITIVE ADVANTAGE



### Sophisticated, proprietary software

Intuitive in-house platform allowing flexibility, integrated features and rapid innovation

*Read more on page 25*



### Smart marketing technology

Proprietary, highly effective system to identify opportunities and acquire customers efficiently



### Flexible, scalable business structure

Ability to adjust to the changing environment as a result of our lean cost structure and proprietary technology

The Company does not pay any royalties or license fees to third parties for the use of the trading platform by its customers and can therefore maintain high margins and profitability levels



12 By total number of client relationships, Investment Trends 2019 UK Leverage Trading Report

13 By total number of client relationships, Investment Trends 2019 Germany Leverage Trading Report

14 Investment Trends 2019 Spain Leverage Trading Report

## WHERE WE OPERATE

50

Countries

32

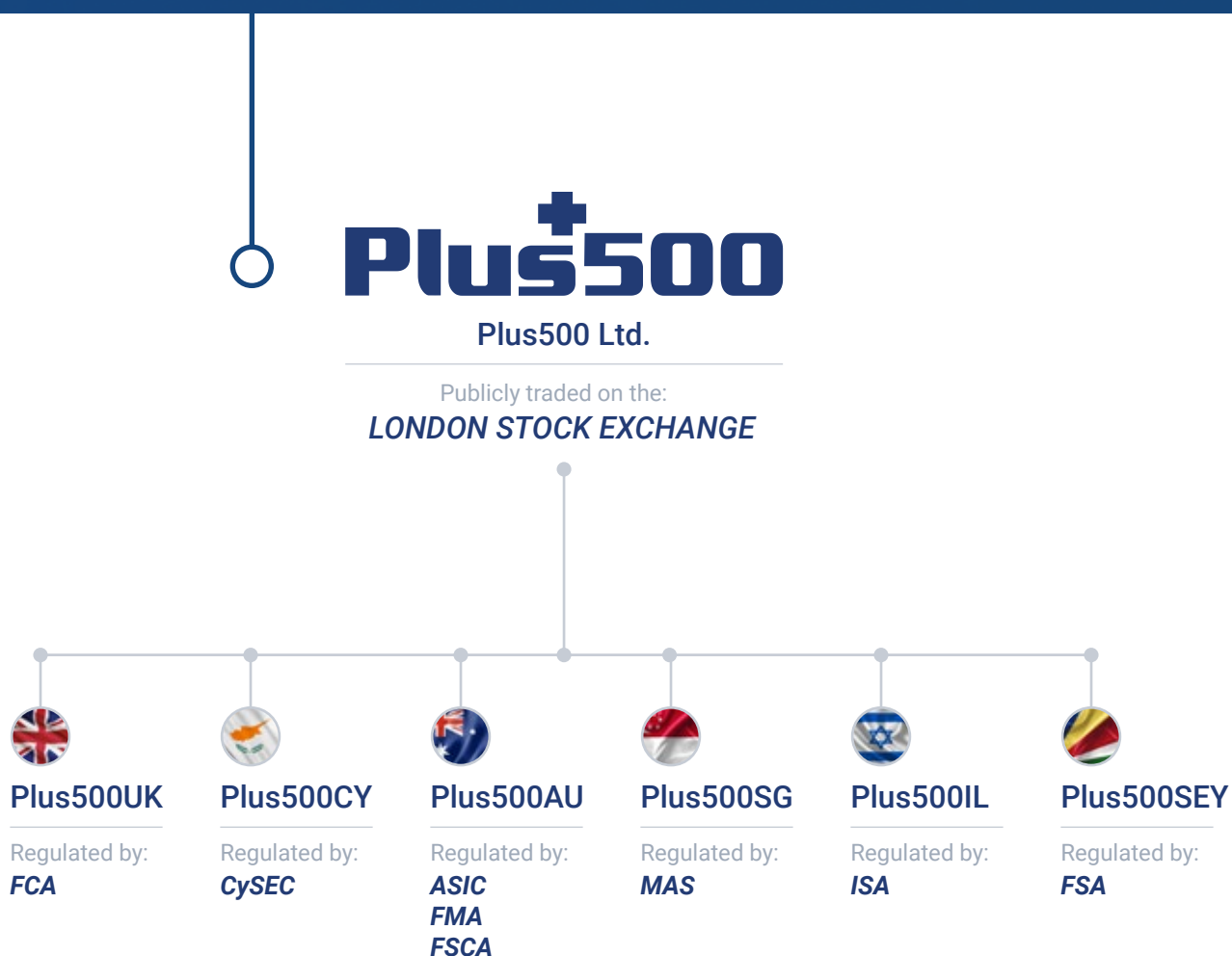
Languages

8

Offices

Our trading platform is available in more than 50 countries in 32 languages

Operations are conducted from our eight offices worldwide. Plus500 retains operating licences and is regulated in the UK, Australia, Cyprus, New Zealand, Israel, South Africa, Singapore and the Seychelles



# KEY STAKEHOLDER RELATIONSHIPS

Stakeholder	Why it is important to engage
Customers	Understanding customers' needs is an integral part of providing a relevant and up to date product offering that will attract a growing number of new valuable customers and will assist in retaining existing customers, thereby reducing churn
Employees	Automation has been central in the Group's success to date and will continue to be a main theme, as the Company operates a lean and efficient structure. The Company regards its employees as the key asset to support and enable its technology
Regulators	Regulatory oversight is an integral part of the Group's business, as its subsidiaries retain operating licences and are supervised by various regulators across the globe. Regulatory compliance procedures are constantly reviewed and enhanced, with a culture of compliance embedded within the business, including open and constructive communications with relevant regulatory bodies in current and potential future regulatory jurisdictions
Shareholders and Investors	As a public listed company, Plus500 aims to provide fair, balanced and understandable information to investors and shareholders. Maintaining a close connection to its shareholders through transparent dialogue has always been the Group's focus. The Company continues to seek ways to enhance the relationship with its shareholders and investors
Suppliers	Plus500 uses the services of various suppliers in order to provide its customers with the best user experience. Suppliers assist with the ongoing activities surrounding the Plus500 trading platform
Sponsorships	Plus500 is the official sponsor of the Spanish football club, Atlético de Madrid FC and of the Australian professional rugby union team, the Plus500 Brumbies. Both sponsorships have been highly successful, increasing brand recognition with the Company's current and potential global customer base within its target markets



## How we engage

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- Online and offline marketing channels
  - Omni-channel customer-centric approach
  - 24/7 customer support available in multiple languages
- 

- Evaluation and feedback processes for employees and management
  - Competitive reward packages
  - Encouraging employee training and development
  - Non-Executive Director (Steven Baldwin) responsible for workforce engagement
- 

- Ongoing constructive interactions with relevant regulators
  - Participation in regulators' coordination groups
  - Contributions to public consultations issued by regulators on relevant industry matters
- 

- Annual reports
  - Regulatory News Service
  - Annual general meeting
  - Investor presentations
  - Investor conferences
  - One-on-one meetings
- 

- Relationships with suppliers allow the ongoing review and monitoring of their performance levels
  - Building strong partnerships with suppliers through open two-way dialogue
- 

- Ongoing relationships, including online and offline marketing campaigns and the prominence of the Company logo on all team jerseys
  - Mutually beneficial relationship enhancing all brands
- 



# KEY PERFORMANCE INDICATORS

The Board monitors the Group's performance against its objectives, and the financial performance of its operations through a number of key performance indicators ("KPIs") regularly. In particular, these KPIs are used to benchmark revenue generation and operating costs, and to ensure the ongoing and improving effectiveness of the Company's marketing budget to maximise efficiency and returns on investment. The Group's main KPI's, which follow the industry's common practice, are set out below



91,388

## NUMBER OF NEW CUSTOMERS

'New Customers' are customers who have deposited real money into their trading account for the first time in the relevant financial period.

This is a consistent and relevant measure to track the number of new customers the Group attracts on a year-on-year basis. Continuing to attract new valuable customers whilst engaging and retaining existing customers is important to the overall strategy of the Group. In 2019 the Group acquired a total of 91,388 New Customers (2018: 134,237).


## NUMBER OF ACTIVE CUSTOMERS

'Active Customers' are customers who made at least one trade using real money on the trading platform in the relevant financial period.

This measure reflects the level of customer activity within the trading platform during the period and is indicative of the degree of customer satisfaction. It is important that the Group attracts and retains active trading customers to continue to deliver sustainable revenue and profits. In 2019 the Group had a total of 199,720 Active Customers (2018: 304,616).



199,720



○ \$ 1,775

○ \$ 1,046

#### **AVERAGE REVENUE PER USER (ARPU)**

Average Revenue Per User is calculated by dividing the revenue by the number of Active Customers in the relevant financial period.

This measure is affected by other factors such as extreme periods of customer acquisition, periods of low or high volatility in financial markets and Customer Trading Performance. The Average Revenue Per User in 2019 was \$1,775 (2018: \$2,365).

#### **AVERAGE USER ACQUISITION COST (AUAC)**

Average User Acquisition Cost is used to show the average cost of attracting a new customer. This is calculated by dividing the total marketing expenses by the number of New Customers in the relevant financial period.

Along with ARPU, the direction of movement here indicates the level of return on marketing investment. The Company feels it is important to manage the Average User Acquisition Cost to ensure a balanced spend on customer acquisition. The Average User Acquisition Cost in 2019 was \$1,046 (2018: \$934).

# OUR TECHNOLOGY

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## THE TRADING PLATFORM

The trading platform has been designed to be intuitive and user-friendly, providing customers with a simple and consistent interface across a wide variety of devices, including mobile, tablet, web and PC. This approach ensures that customers are able to enjoy a multi-channel experience, providing them full accessibility to trade in CFD's on underlying financial instruments which are of interest to them, across all formats and through a single customer account.

This offers the customer a familiar user interface greatly reducing the learning curve when switching between different devices. The upgrades introduced to Plus500's trading platform in 2019 aim to increase its appeal to higher value customers.

## DEMO ACCOUNT

The Group offers potential customers the opportunity to operate a free demo account for an unlimited period of time. The demo account fully imitates the real trading experience, providing customers with access to all financial instruments, trading tools and features. This ensures that customers have an opportunity to familiarise themselves with the features of the trading platform and to understand the product before they choose to commence trading using a real money account.

## CUSTOMER INTERFACE AND BACK-END TO THE TRADING PLATFORM

The trading platform operates a simple and consistent, but highly localised user interface across a number of desktop and mobile devices, available in more than 50 countries and in 32 languages. It has been designed to be as intuitive and as user-friendly as possible and provides customers with real-time prices, allowing customers to continuously monitor their open positions and trading activity, with immediate access to trade execution across a multitude of order types.

## CONTINUED DEVELOPMENT OF THE TRADING PLATFORM

The trading platform continues to evolve in order to further improve systems scalability for meeting the growing demands of the Group's active customer base and the increased customer activity, thus creating an even more robust infrastructure which can support substantial volumes. The Group is constantly updating the financial instruments available on its platform to meet customer demand and asset trends across the geographies in which its offering is available.



The trend for trading CFDs on smartphones and tablets continues, as the Group's mobile platforms for both smartphones and tablets now account for more than 80% of revenues in 2019. Plus500 remains an industry leader in mobile as demonstrated through its maintained position as the highest rated app in its sector in both the AppStore and Google's Play Store.

The success of the Group has been supported by maintaining a tight and flexible cost structure. The high degree of operating leverage within the business, driven by the efficiency and automation of the trading platform and the supporting elements, enables the Group to generate a relatively high average revenue per employee, whilst maintaining a relatively low average cost per employee; these are metrics which the Board believes compare favourably to some of the Group's primary peers.



\* For illustrative purposes

# OUR MARKETS

CFDs are highly flexible, internationally traded products, which can be based on a wide range of underlying financial instruments. The growth of this industry over recent years has been aided by a number of factors: increasing awareness of its existence through online and social media channels; a growing desire by individuals to control their finances along with changes in financial regulation providing greater freedoms; the ongoing growth in internet usage along with the explosion in the use of mobile devices; and the development of intuitive yet highly advanced online trading platforms.

Together these have enabled individual customers to trade in an increasingly wide variety of financial assets and instruments that were previously inaccessible. Within the broader industry, the Group is currently focused solely on the provision of CFDs.

## GLOBAL OPERATIONS

The Group operates from eight offices and provides services to customers from more than 50 countries worldwide. Our global operations enable us to cater for our existing customers and to expand our offering to potential new customers within additional territories, while operating within the applicable local regulatory regimes.

## REGULATION

The Group is regulated in the EEA, UK, Australia, South Africa, Israel, New Zealand, Singapore and the Seychelles and its services are also available in certain other jurisdictions across Asia, the Middle East and elsewhere. The Group operates through six subsidiaries which have been granted licences by regulators:

- Plus500UK Ltd is authorised in the United Kingdom by the Financial Conduct Authority (FCA) and has obtained “passports” allowing it to offer its services across the EEA;
- Plus500CY Ltd is authorised in Cyprus by the Cyprus Securities and Exchange Commission (CySEC) and has similarly obtained “passports” allowing it to offer its services across the EEA;
- Plus500AU Pty Ltd is authorised in Australia by the Australian Securities and Investments Commission (ASIC), in New Zealand by the Financial Market Authority (FMA) and in South Africa by the Financial Sector Conduct Authority (FSCA);
- Plus500IL Ltd is authorised in Israel by the Israeli Securities Authority (ISA);
- Plus500SG Pte Ltd is authorised in Singapore by the Monetary Authority of Singapore (MAS); and
- Plus500SEY Ltd is authorised in the Seychelles by the Financial Services Authority (FSA).

The Group recognises that regulators around the globe continue to increase scrutiny and standards in the retail leveraged trading industry. The regulatory environment continues to evolve in many of the Group’s European markets and in other parts of the globe, such as the anticipated product intervention orders which are expected to come into force during 2020 in Australia.

As a result of a tightening global regulatory environment, the Company believes there will be a greater need for efficiency and automation of the business models of industry participants and that, thanks to the scale of the Group and its technology leadership positions, it is well prepared to benefit from these trends.

## BREXIT

The UK left the European Union on 31 January 2020 and is now in a transition period until 31 December 2020. Between now and the end of the year, EU law will continue to apply with no change. Plus500 remains well prepared for various scenarios for the UK’s exit from the EU, supported by the Group’s separate EU licence in Cyprus which enables it to operate in EU regulated jurisdictions, in line with applicable regulatory requirements. Plus500 will continue to assess any future developments relating to the UK’s exit from the EU.







*" Our corporate structure encourages streamlined systems and efficiency across the Group, enabling us to form a lean and agile operating structure; this, in turn, enables us to efficiently and quickly adapt to ongoing changes to our industry and business "*

**Elad Even-Chen**  
Chief Financial Officer

## INTRODUCTION

2019 was a year of two distinct halves; very low volatility in financial markets in Q1 resulted in fewer opportunities for customers to trade, however, more normal trading conditions returned in Q2 and continued through to the year end, resulting in a much improved second half performance.

Our corporate structure encourages streamlined systems and efficiency across the Group, enabling us to form a lean and agile operating structure; this, in turn, enables us to efficiently and quickly adapt to ongoing changes to our industry and business, thereby enhancing our overall performance.

## REVENUE

The Group delivered revenue of \$354.5 million for 2019 (FY 2018: \$720.4 million), which represents approximately 93% of Customer Income.

## EBITDA

EBITDA for 2019 was \$192.3 million (FY 2018: \$506.0 million), with an EBITDA margin of 54% (FY 2018: 70%). Net profit for 2019 was \$151.7 million (FY 2018: \$379.0 million). Earnings per Share<sup>15</sup> were \$1.35 (FY 2018: \$3.33). There was a much improved second half performance, with a 19% increase in Customer Income

in H2 2019 in comparison to H1 2019, and \$126.7 million of EBITDA, representing approximately 66% of annual 2019 EBITDA.

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Costs remained well under control during 2019, reflecting the Group's optimised cost base. The majority of the Group's costs are variable and are positively correlated to enhanced performance, including marketing and processing expenses.

Selling, General and Administrative expenses decreased by 24% to \$164.4 million (FY 2018: \$215.1 million) attributed to general level of cost optimisation. Higher marketing costs per customer were incurred as a result of increased focus on acquisition of high value customers. The balance of costs also includes payroll and related expenses, variable bonuses and share appreciation rights.

## FINANCIAL EXPENSES

In 2019, the Company's financial expenses amounted to a net \$0.8 million (FY 2018: \$2.3 million), the majority arising from foreign exchange and translation differences. A significant proportion of the Company's cash is held in US dollars in order to provide a natural hedge, therefore reducing the impact of currency



movements on financial expenses. This result reflects an optimisation of financial cash management in comparison to 2018, with reduced financial expenses of \$1.5 million.

## BALANCE SHEET

Plus500's business model continued to be highly cash-generative with 88% operating cash conversion<sup>16</sup> (FY 2018: 98%). 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. Earnings from these customer trades are recognised in cash on the Company's balance sheet 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 mean that a high proportion of net income is rapidly converted into cash.

Plus500's total assets were \$316.9 million as of 31 December 2019 (31 December 2018: \$332.9 million); with equity of \$284.1 million, representing approximately 90% of the balance sheet as of 31 December 2019 (31 December 2018: \$280.7 million).

Cash generated from operations during the year was \$170.1 million (FY 2018: \$495.0 million); this resulted in year end cash balances standing at \$292.9 million

## REVENUE

2019	\$ 354.5M
2018	\$ 720.4M

## EBITDA

2019	\$ 192.3M
2018	\$ 506.0M

## NET PROFIT

2019	\$ 151.7M
2018	\$ 379.0M

## TOTAL DIVIDEND PER SHARE

2019	\$ 0.6501
2018	\$ 1.9977

(31 December 2018: \$315.3 million). Cash balances reduced during the year as a result of dividend payments (\$101.1 million) and two share buyback programmes (\$6.0 million and \$41.2 million).

All amounts stated exclude client funds which are held in segregated accounts and are subject to annual audit and certification, in line with global best practices. The amount of customer deposit, net in 2019 was \$162.8 million (FY 2018: \$107.2 million).

## PRESENTATION OF CURRENCIES

The Consolidated Financial Statements are presented in US dollars, which is the Company's functional and presentation currency. Foreign currency transactions and balances in currencies different from the US dollar are translated into the US dollar.

## SHAREHOLDER RETURNS

The Board considers the Group's shareholder returns policy annually, including the optimal balance between allocating surplus funds to the payment of ordinary and special dividends or share buybacks. The Company's policy is to return at least 60% of net profits to shareholders, to be distributed through a combination of dividends and share buybacks, with at least 50% of this distribution being made by way of dividends. This policy applies to net profits on a half-yearly basis.

In October 2018 the Board approved a programme to buy back an initial amount of \$10 million of the Company's Ordinary Shares in accordance with the authority granted at the Company's AGM. Subsequently, the Company purchased 487,500 Ordinary Shares in accordance with this programme during 2019 up to the termination of the programme, for an aggregate purchase price of \$6 million, and at an average share price of £10.13.

In addition, the Board determined at the time of the Group's half year results in August 2019 that enhanced shareholder value could be delivered from buying back the Company's shares and as a consequence, a material share buyback programme to purchase up to \$50 million of the Company's shares was announced. In 2019 the Company purchased 4,259,066 Ordinary Shares in accordance with this programme, for an aggregate purchase price of \$41.2 million and an

average share price of £7.66. Following the year end, the share buyback programme continued to its completion, and an additional 749,854 Ordinary Shares have been purchased, amounting to a total of \$8.8 million, at an average share price of £9.06.

The Board declared a final dividend of \$40.8 million for the year ended 31 December 2019, representing \$0.3767 per share (FY 2018: \$0.6191 per share), with an ex-dividend date of 27 February 2020, a record date of 28 February 2020 and a payment date of 13 July 2020. This makes a total dividend for the year of \$0.6501 per share (total dividend for 2018: \$1.9977 per share).

A new share buyback programme was commenced in February 2020 to buy back up to \$30 million of the Company's shares (the "New Share Buyback Programme").

Subject to the completion of the New Share Buyback Programme, the resulting total distribution to shareholders for 2019 will amount to a return to shareholders of \$151.7 million<sup>17</sup> or 100% of net profit for the year, in line with the Company's stated shareholder returns policy.

The Board will continue to assess the availability of any excess capital and prioritise its use, as it has always done, and carefully evaluate any identified opportunities against the long term benefit of organic investment or returns to shareholders.



**Elad Even-Chen**  
**Chief Financial Officer**

6 April 2020

The table below shows the consolidated audited results for the two financial years ended 31 December 2019 and 31 December 2018, respectively:

	2019	2018
Revenue	\$354.5m	\$720.4m
EBITDA	\$192.3m	\$506.0m
Profit before Tax	\$189.3m	\$503.0m
Net Assets <sup>18</sup>	\$284.1m	\$280.7m

The table below shows the consolidated audited cash flows of the Group for the two financial years ended 31 December 2019:

	2019	2018
Net cash provided by operating activities	\$127.3m	\$400.4m
Net cash used in investing activities	\$(0.1)m	\$(0.7)m
Net cash used in financing activities	\$(150.1)m	\$(324.2)m

15 Earnings per Share – Calculated based on weighted average number of Ordinary Shares in issue as of 31 December 2019

16 Operating cash conversion – Cash generated from operations / EBITDA

17 The actual dividend to be paid by the Company on the dividend payment date will be less than the \$40.8 million initially estimated since the Company repurchased additional Ordinary Shares between the date of dividend declaration and the record date of the dividend, which Ordinary Shares are held in treasury and not entitled to dividend payment

18 Net Assets are as of 31 December 2019 and as of 31 December 2018, respectively

# RISK MANAGEMENT FRAMEWORK

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

## RISK GOVERNANCE FRAMEWORK

The financial, market and regulatory environments in which Plus500 operates inherently expose it to a number of strategic, financial and operational risks. The Company recognises the importance of understanding and managing these risks and has determined levels of risk that it believes are acceptable. Policies and procedures have been developed within a robust risk management framework that attempts to minimise various risks, including market risk.

Plus500's target customer base is exclusively individual customers and the trading platform is not available to institutional or corporate traders. As a result, Plus500 has a low customer concentration and therefore does not rely on trading activity from a small number of very large customers – the largest customer in 2019 contributed less than 1% of total Group revenue.

Additionally, the Company's risk management framework ensures that risk exposures are strictly limited. The Company employs a combination of real-time monitoring technology, predefined limits and internal offsetting techniques across its hundreds of thousands of customers to ensure risk is effectively managed.

Plus500 monitors trading levels and exposure limits (for example by customer, instrument and asset class), and credit risk is limited by having all customers accounts pre-funded. The Group also offers a margin close-out policy to all of its customers on a cross border basis.

In 2019, approximately 85% of the days were profitable with the majority of the remaining 15% of trading days showing relatively immaterial negative revenue. The average daily loss in 2019 was less than \$411,000.

Although Customer Trading Performance fluctuates over the short term and can fluctuate from year to year, the Company considers performance over a longer timeframe, which has tended to be broadly neutral. As per Plus500's business model, revenues are mainly driven by the volume of trades executed on its trading platform and the associated trading spreads and overnight charges. Over the past six years, Customer Income accounted for approximately 99% of revenues.

## GOVERNANCE

### The role of the Board

The Board is ultimately responsible for the risk strategy and has developed a Risk Governance Framework.

The Board believes the robust, technology-driven risk management systems of the Group are a key competitive strength and an important factor in its revenue generation. The implementation of the risk strategy is delegated to management under the more detailed supervision of the Regulatory & Risk Committee.

### The role of the Regulatory & Risk Committee

The Regulatory & Risk Committee receives updates from management on risk, compliance and regulatory issues and reviews the related internal systems. The Regulatory & Risk Committee is responsible for reviewing relationships with the regulatory authorities and reviewing the adequacy and quality of the Group's systems and procedures for compliance with regulatory requirements where the Group is regulated and in other jurisdictions where the Group has a significant market presence. The Regulatory & Risk Committee also has responsibility for reviewing the Company's most significant risks to the achievement of strategic objectives and reviewing the Company's risk policy.



## LINES OF DEFENCE

Within the Risk Governance Framework, three lines of defence are created through:

- Front-line risk management processes
- Regulatory compliance
- Independent assurance provided by internal audit

### First line of defence

The first line of defence consists of front-line risk management processes operated by management within the day-to-day trading activities of the Group's business.

There are three elements to the management of day-to-day trading risk:

#### a. Financial Risk Limitation Policies

The Group has developed proprietary risk management systems that incorporate various real-time financial risk limits.

#### b. Trading Limits

##### i. Customer limits

Monetary limits are placed on a customer's:

- (a) exposure to any single instrument;
- (b) aggregate open positions as a whole; and
- (c) aggregate deposit amounts.

Customer limits are determined with reference to, amongst other things, a customer's credit score, trading history, location and other due diligence results.

##### ii. Group limits

Monetary limits are also placed on the Group's exposure to individual instruments. These limits are set according to, amongst other things, the asset class, the size, the liquidity and the beta (volatility) of the underlying instrument. In each case, when these limits are reached the trading platform automatically ceases to accept trades from the relevant individual or on the underlying instrument until such time as exposure levels fall below the relevant threshold(s) or such threshold(s) are reviewed and amended.

#### c. Hedging

To further manage risk the Group has a hedging policy in place which would, in extremis, mitigate exposure of the Group as a whole beyond certain thresholds.

### Second line of defence

A strong compliance function is in place in all territories where the Group operates. The Board continues to develop the Group's compliance policies in line with each of the regulatory environments in which the Group's offering is available.

### Third line of defence

The third line of defence, independent assurance, is provided by internal audit.

The role of the internal auditor is to examine, among other things, the Company's compliance with applicable law and orderly business procedures. In accordance with the Israeli Companies Law 5759-1999 (the "Companies Law") the internal auditor is appointed by the Board on the recommendation of the Audit Committee, which also oversees the internal auditor's work plan, monitors its activities and assesses its performance.

Pursuant to the Companies Law, 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 external auditor or its representative.

The Company's internal auditor is Brightman Almagor Zohar & Co. (Deloitte Israel) a member firm of Deloitte Touche Tohmatsu Limited.

Compliance with applicable regulations is also provided by local advisors in the main territories that the Group operates in, and advice on the regulatory regime is considered when planning new licence applications.

## INTERNAL CONTROLS

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 outside of the ordinary course of business by the Board;
- the detailed budgeting and monitoring of costs incurred in the development of new products;
- a review of day to day management controls and test of operating effectiveness of key controls;
- an annual review of the internal controls system;
- the reporting to, and review by, the Board on changes in legislation, regulatory requirements and practices within the sector, accounting and regulatory and legal developments pertinent to the Company; and
- the appointment of experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

## EMERGING AND PRINCIPAL RISKS

The Board has undertaken a robust assessment of emerging and principal risks facing the Group and how these risks are managed or mitigated in accordance with Provision 28 of the Financial Reporting Council's UK Corporate Governance Code 2018 (the "Code"). Significant and emerging risks are considered those that would threaten its business model, future performance, solvency or liquidity. These are outlined below and details of financial risks and their management are set out in note 22 to the Consolidated Financial Statements.

The annual and ongoing elements of the Group's risk management processes are controlled by an established risk identification, assessment and monitoring process.

The 2019 risk assessment process identified certain risks and was narrowed down into major risks monitored by the executive management and the Regulatory & Risk Committee, then further consolidated into eight principal risks closely monitored by the Board.

The Risk Factors section included within the Prospectus is available at:

<https://www.plus500.com/Docs/Plus500UK/Prospectus.pdf>.

Throughout the year and up to the date of this report, the Board has reviewed the effectiveness of the Group's internal controls system. As a result of this review, the Board considers that the measures that have been or are planned to be implemented, complement the Group's risk management framework and are appropriate to the Group's circumstances, covering all controls, including financial and operational controls and compliance with applicable laws and regulations.

## Business & Strategic Risks

Risk	Description	Management & Mitigation
<b>Legal and Jurisdictional Risk</b>	The risk that changes in the regulatory frameworks in which the Group currently operates could adversely affect its performance	<ul style="list-style-type: none"> <li>Diversification of jurisdictions in which the Group offers its services</li> <li>Offering trading accounts suitable for different levels of customers</li> </ul>
<b>Regulatory Risk</b>	Regulatory changes could result in the product offering becoming less profitable, restrictions on the product marketing, or a ban on the product offering in one or more of the countries in which the Group operates	<ul style="list-style-type: none"> <li>Monitoring market and regulatory sentiment, developments and advice from compliance functions on actual and possible changes and taking remedial action</li> <li>Maintaining an open and robust dialogue with regulators</li> </ul>

## Financial Risks

Risk	Description	Management & Mitigation
<b>Business Risk</b>	<p>The risk of a commercially adverse impact on the business resulting from:</p> <ul style="list-style-type: none"> <li>The Group's strategic decision making failing to seize business opportunities or react to changes in the market. This risk may result in damage or loss, financial or otherwise, to the Group as a whole</li> <li>The risk that a third-party organisation on which the Group relies significantly will inadequately provide or fail to deliver its outsourced activities or contractual obligations to the standard required</li> </ul>	<ul style="list-style-type: none"> <li>Robust governance, challenge and oversight</li> <li>Managing the Group in line with the agreed strategy, policies and risk appetite and periodic reviews of such assumptions compared to developments in the markets, business and regulation</li> <li>Developing redundancies for material services provided by third parties by having secondary providers and alert systems, as well as automated processes to operate redundancies</li> <li>Due diligence performed on service suppliers ahead of outsourcing</li> <li>Service level agreements in place and regular monitoring of performance</li> </ul>
<b>Market Risk</b>	<p>The risk of exposure to the market. The market risk is mainly comprised of the following main factors:</p> <ul style="list-style-type: none"> <li>Price movements</li> <li>Foreign currency exposures</li> </ul>	<p>The Group manages market risks by steering/ balancing natural hedge (client positions are offsetting each other) and the Group risk tolerance (for each financial market in which the Group's customers trade). Market risk is mitigated by:</p> <ul style="list-style-type: none"> <li>The Group's real time position monitoring and alert system which allows the Group to constantly manage its market exposure and adjust controls</li> <li>Defining daily/weekly/monthly Group market risk limits for each financial market or instrument</li> <li>If predetermined limits are exceeded, the Group takes appropriate actions to reduce exposure (e.g. margin requirement change)</li> </ul>

## Financial Risks

Risk	Description	Management & Mitigation
<b>Credit Risk</b>	<p>The risk of clients or counterparties failing to fulfil contractual obligations and/or settlements resulting in financial loss, specifically:</p> <ul style="list-style-type: none"> <li>• <b>Client credit risk:</b> Leveraged trading can result in client trading losses exceeding available funds in their account (mainly due to sharp market movements); such losses are absorbed by the Group (negative balance protection has always been offered to all the Group's customers, in all markets and across all underlying assets)</li> <li>• <b>Institutional credit risk:</b> The risk that financial counterparties will not meet their obligations, risking both client and Group assets</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Client Credit Risk:</b> The Group has a "no-credit" policy in which customers can only fund their accounts from their own resources. Customers can set a wide range of loss risk mitigation tools such as alerts and stops features</li> <li>• <b>Institutional Credit Risk:</b> The Group engages only with prominent, high ranked and well-established financial institutions for the holding of its own assets and in order to meet its regulatory obligations to safeguard client money in segregated accounts. The Group periodically reviews its engagements with such financial institutions to make sure they continue to operate within the applicable standards and also diversify the Group's assets across those financial institutions to reduce risk</li> </ul>
<b>Liquidity Risk</b>	<p>The risk that there is insufficient available liquidity to meet the financial liabilities of the Group</p>	<p>The Group utilises liquidity forecasts to identify potential risks. These forecasts incorporate the impact of all liquidity regulations in force in each jurisdiction and other hindrances to the free movement of liquidity around the Group. Key issues affecting the Group's liquidity are discussed with the Board</p>



## Operational Risks

Risk	Description	Management & Mitigation
<b>Operational Risk</b>	<p>The risk of enduring losses resulting from inadequate or failed internal processes due to people, failed technology deployment, adoption and innovation, external events (such as natural disasters, major utilities or infrastructure failure etc.) or the inability to attract and maintain competent staff which the Group requires for operational purposes</p>	<ul style="list-style-type: none"> <li>• Business and regulatory sign-off of processes and procedures to ensure business efficiency and regulatory compliance</li> <li>• Investment in system development to improve process automation</li> <li>• Monitoring, quality checks and robust analysis of performance to identify errors, inefficiencies, underlying causes and mitigation plans</li> <li>• Centralised operations - to enable rapid implementation of business innovation, adjustments to business and regulatory changes, monitoring and maintaining high standards and cost-efficient structure</li> <li>• Centralised technical operations, to ensure Group-wide monitoring, issue handling and analysis</li> <li>• Unified IT strategy focused on performance and growth</li> <li>• Continuous development efforts towards operational risk framework to ensure risk recognition and timely control</li> <li>• Recruitment of highly competent employees and developed employee retention programmes</li> <li>• Enhanced staff training and oversight</li> <li>• The Group has a clear business continuity plan, ensuring quick recovery and cover for both IT and operational aspects (connectivity, Distributed Dos Attacks, unresponsiveness of server etc., as well as external events have an emergency plan and contacts in place)</li> </ul>
<b>Information and Data Security Risk</b>	<ul style="list-style-type: none"> <li>• The risk of loss of technology services caused by network disruption and loss of systems, data, and failure to restore services of a third party in a timely manner resulting in the Group's inability to offer its services</li> <li>• The risk of loss or misuse of individuals' personal information provided to the Group</li> </ul>	<ul style="list-style-type: none"> <li>• Operating a multi-layered delivery, security and mitigation solution</li> <li>• Continuous investment in increased functionality, scalability, capacity and responsiveness of systems to monitor, react and prevent cyber attacks</li> <li>• Continuous real-time monitoring of incoming and outgoing network activity</li> <li>• Constant monitoring of systems performance and controls</li> <li>• Selective software design methodologies and testing regimes</li> <li>• A robust Group IT policy sets out strategic, stability, security and performance standard as well as backup processes to enable service availability in the event of failures</li> <li>• Privacy as culture - creating awareness among employees of privacy-related matters including proper use of personal information, protection of such information and loss prevention</li> <li>• Robust privacy oriented compliance program to ensure compliance with applicable data privacy regulations</li> </ul>

# GOING CONCERN AND VIABILITY STATEMENT

## GOING CONCERN

Having given due consideration to the nature of the Group's business, the Group's budget and cash flow forecasts for the period of three years ending 31 December 2022, taking into account the Company's anticipated investment commitments and working capital requirements, the Board considers that the Company and the Group are going concerns and the Consolidated Financial Statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for over a period of at least twelve months from the date of approval of the Consolidated Financial Statements and the consideration of the various risks set out on pages 33 to 38 and the financial risks described in note 22 to the Consolidated Financial Statements.

## VIABILITY STATEMENT

In accordance with Provision 31 of the Code, the Board has considered the Group's current financial position and future prospects and has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three years assessment ending 31 December 2022.

In reaching this conclusion, both the prospects and viability considerations have been assessed:

### Prospects

- The Group's current financial position is outlined in the Strategic Report.
- The Group's business model: despite regulatory changes in a number of jurisdictions, the core of the current strategy remains in place and continues to demonstrate sufficient cash generation to support operations.
- Assessment of prospects and assumptions: conservative expectations of future business prospects through delivery of the Group strategy as presented to the Board through the budget approval process. The annual budget approval process consists of a detailed bottom-up process with a 12-month outlook which involves input from all relevant functional and regional heads. The process includes

a collection of resource assumptions required to deliver the Group strategy and associated revenue impacts with consideration of key risks. This is used in conjunction with external assumptions such as a region-by-region review of the regulatory environment and incorporation of any anticipated regulatory changes as outlined in the Strategic Report, to revenue modelling, market volatility, interest rates and industry growth which materially impact the business. The budget is used to set targets across the Group. The budgeting process also covers liquidity and capital planning and, in addition to the granular budget, a three-year outlook is prepared using assumptions on industry growth, the effects of regulatory change, revenue growth from strategic initiatives and cost growth required to support initiatives. The budget was reviewed by the Board in December 2019 and received final approval in February 2020.

- Ongoing review and monitoring of risks: these have been identified in the Group's Risk Appetite Statement, outlined in the Group's principal risks and uncertainties (pages 36 to 38) and monitored monthly by management, with review and challenge from the Regulatory & Risk Committee.

### Viability

Scenario stress testing of available liquidity and capital adequacy are central to understanding the Group's viability. Stress scenarios replicate adverse market conditions and regulatory change, and are therefore considered in the Group's Individual Capital Adequacy Assessment Process and Individual Liquidity Adequacy Assessment documents, which are shared with our regulators on request. The results of the stress testing showed that, due to the robust nature of the business, the Group would be able to withstand these scenarios, both in isolation and combined scenarios, over the financial planning period by taking management actions that have been identified.

The Board has considered that three years is an appropriate period over which to provide a viability statement as this is the longest period over which the Board reviews the success of strategic opportunities. This timeline is also aligned with the period over which internal stress testing occurs. The Board has no reason to believe that the Group will not be viable over a longer period, but given the uncertainty involved, in particular

of regulatory change, the Board believes this period presents the readers of the Annual Report with a reasonable degree of confidence.

The Group also monitors performance against pre-defined budget expectations and risk indicators, along with strategic progress updates, allowing management action to be taken where required, including the assessment of new opportunities.



# CORPORATE SOCIAL RESPONSIBILITY REPORT

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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 believes that Corporate Social Responsibility ("CSR") is both its duty 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.

## VALUES

Our core values include:

- putting our customers and stakeholders first
- leading the industry while standing out and providing an innovative, self-developed, high standard product
- Maintaining a dynamic and creative work environment

## CULTURAL BENCHMARKS

The Company has conducted an internal process together with its employees in order to define measurable cultural benchmarks that from now on will be monitored and assessed by the Board.

## DEVELOPMENT OF WORKFORCE AND WORKFORCE ENGAGEMENT

Our success depends on our technology and our technology depends on our people. We strive to maintain a culture in which our highly talented people can thrive and develop.

We compete for talent in the very competitive high technology industry and our workforce is relatively young and highly educated. CSR is as important to our people as it is to us.

Plus500 operates in an entrepreneurial environment where employees are encouraged to develop, innovate and brainstorm new ideas. It is this culture that creates continuous improvements in the technology, employee satisfaction and loyalty.

All of our people are offered rewarding careers with opportunities for training, development and progression. We allow our people to participate in our success through a competitive reward package, alongside share-related benefits that are intrinsically linked to the financial and operational performance of Plus500.

We are committed to equal opportunity in employment and to creating, managing and valuing diversity in the workforce. We maintain an Equality and Diversity Policy with respect to hiring, promotion, compensation, training and assignment of responsibilities, termination, or any other aspect of the employment relationship.

## WELLBEING

We consider our people as our most valuable asset and are therefore fully committed to their health and wellbeing. We aim to provide our people with the most optimal conditions to support a healthy and balanced work environment. We encourage our people to make use of our office facilities and to participate in organised social activities, which include a private gym access, yoga classes, team retreats, a varied library and other benefits and social events. Plus500 is also a family friendly company and we hold various family activities for our people throughout the year.

## DIVERSITY

Our people come from diverse backgrounds and we ensure that all our employees, both prospective and current, are given access to equal opportunities no matter their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, ethnic origin, colour, nationality, national origin, religion or belief, or sex and sexual orientation. All employees, whether they are part-time, full-time, or temporary, will be treated fairly and with respect.

We are committed to:

- create an environment in which individual differences and the contributions of all team members are recognised and valued
- create a working environment that promotes dignity and respect for every person

- not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach the policy
- make training, development and progression opportunities available to all of our people
- promote equality in the workplace
- encourage anyone who feels they have been subject to discrimination to raise their concerns and to take those concerns seriously
- encourage our people to treat each other with dignity and respect
- regularly review all employment practices and procedures so that fairness is maintained at all times

The Equality and Diversity Policy is monitored and reviewed annually by the Board to ensure that equality and diversity is continually promoted in the workplace.

## GENDER EQUALITY

We are committed to the progression of our talented women at Plus500, and, as noted in our Chairman's Introduction to Governance (page 51), we acknowledge there is more to do at Board level. Nonetheless, we are encouraged that our female representation at the senior management team is relatively strong and is even stronger on an overall Group level.

Our gender diversity statistics as of 31 December 2019 are as follows:

Gender Diversity		
	Male (%)	Female (%)
Board members	6 (86%)	1 (14%)
Senior management team	14 (64%)	8 (36%)
All employees	171 (49%)	178 (51%)

## ANTI-BRIBERY AND ANTI-CORRUPTION

As a UK listed company we are subject to the UK Bribery Act.

Plus500 operates a zero tolerance approach to bribery and corruption. The Company's Anti-bribery and Corruption Policy ensures it conducts all business in an honest, ethical manner whilst acting professionally and fairly with integrity in business dealings and relationships. The policy applies to all our people, as

well as, consultants, contractors, trainees, seconded staff, homeworkers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any subsidiaries or their employees, wherever located.

The policy covers:

- bribes;
- gifts, hospitality and expenses;
- facilitation payments;
- third party suppliers or agents;
- client entertainment and benefits;
- political contributions;
- charitable contributions.

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all of us. All individuals are required to avoid any activity that might lead to, or suggest, a breach of the policy. Internal control systems and procedures are subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

Training on the Anti-bribery and Corruption Policy forms part of the introduction process for all of our new recruits. All of our people receive regular, relevant training on how to implement and adhere to the policy and are asked to formally confirm compliance with the policy on an annual basis.

The Board's Regulatory & Risk Committee reviews the implementation of the Anti-bribery and Corruption Policy. Every year the Committee considers the policy's suitability, adequacy and effectiveness.

## COMMUNITY INVOLVEMENT AND SOCIAL MATTERS

We encourage our people to get involved and contribute to the community they live in. During 2019, the workforce at the Company's headquarters donated clothing, toys and additional equipment to local charities. Workforce social initiatives are being supported by our recently established Social Responsibility and Community Relations Committee comprised of workforce volunteers, which oversees the planning and performance of relevant activities. In addition, the Company makes regular monetary donations to various charities. Plus500 also maintains strategic partnerships and alliances with community



partners (internal and external), such as our ongoing collaboration with top tier academic institutions like the Technion – Israel Institute of Technology, participating in innovation and entrepreneurship initiatives. We also supported the Australian bushfire relief with a pledged donation together with the Plus500 Brumbies sponsored by the Group.

## ENVIRONMENTAL MATTERS

We conduct our business using an online platform and therefore we have a relatively low environmental impact. Nonetheless, we are committed to managing our environmental impact and are fully aware that by considering the environment in our decision making, particularly around technology adoption and office selection, we can minimise our impact.









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**Plus500**

**MAIN SPONSOR OF  
ATLÉTICO DE MADRID**

## SPONSORSHIPS

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



Atlético de Madrid FC is one of the most successful clubs in Europe and is currently ranked second in the UEFA rankings for club competitions.

Atlético de Madrid FC plays in La Liga, one of the most popular leagues in the world, which is the top professional association football division of the Spanish football league system and the club also regularly participates in European tournaments such as the UEFA Champions League, the most prestigious club competition in Europe.

Atlético de Madrid FC has won ten La Liga titles. The club has also won the Copa del Rey on ten occasions along with other Spanish cup competitions. It is also one of the most successful clubs in Europe having won the UEFA Super Cup in 2010, 2012 and 2018, and won the UEFA Europa League in 2010, 2012 and 2018.

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



## SPONSORSHIPS



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

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

This sponsorship complements the Group's existing licences in Australia, New Zealand and South Africa, all of these countries are participating in the Super Rugby competition.





Super Rugby is the pre-eminent professional men's rugby union competition in the Southern Hemisphere and Japan featuring teams from Australia, South Africa, New Zealand, Argentina and Japan. The Brumbies are one of the most successful of the Australian teams, having been the Super Rugby champions in 2001 and 2004 and won the Australian Conference Champions in 2013, 2016, 2017 and 2019.

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





*Plus500 Limited*

# GOVERNANCE





# CHAIRMAN'S INTRODUCTION TO GOVERNANCE

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**Penny Judd**  
Chairman

Dear Shareholder,

I would like to take this opportunity to give you an overview of the work of the Board during 2019. Corporate governance has remained a key theme for the Board during the year.

In 2019, we spent considerable time evaluating the work of the Board and its committees. This year we undertook an independent third party review by Genius Boards Limited ("Genius Boards"). This was a valuable exercise which resulted in a number of recommendations that I am considering with the Board, including some useful observations of best practice for Board meetings and continuing self reflection and feedback.

As noted in last year's report, we had already identified the need to consider appointing an additional non-executive director to complement the Board's existing skill set and this view was confirmed by the external review. Therefore we have engaged professional recruitment specialists to undertake a search for an additional non-executive director to join our Board. We will seek the best possible candidate taking particular note of the need for diversity and the recommendations of the Hampton-Alexander Review on gender equality in leadership positions.

Certain changes were made to UK Corporate Governance Code requirements that came into effect in 2019. In particular, the Board is required to understand more deeply the engagement it has with our people. Steven Baldwin is the non-executive director designated to workforce engagement, meeting with our people regularly to discuss any topics that they may wish to raise.

Executive remuneration remains a significant issue for UK listed companies. We consulted with external consultants in previous years in order to align remuneration with shareholders' expectations and we took seriously the votes against the Executive Directors' remuneration packages at the EGM in 2019.

The Remuneration Committee subsequently engaged extensively with shareholder bodies and key shareholders in developing the Executive Directors' remuneration packages for 2020 that were presented at the EGM earlier this year.

Although we felt that the packages have moved significantly further towards the UK norm, and were also revised as a result of feedback received from shareholders following the publication of the initial 2020 EGM Notice, we acknowledge that the proposal



required further amendment and that there is further work for the Committee to do in order to achieve a package that is compliant with UK norms, and is also referring to our need to retain and incentivise our management team in accordance with the standards of the hi-tech environment that we operate in. We will continue to work with our shareholders to further align remuneration with the shareholder returns.

Shareholder engagement is extremely important and I will continue to meet regularly with key shareholders, as will the rest of the Board, to ensure we represent their interests.

The Nomination Committee continues to review the skills that we need while always considering diversity and the need for independent thinking and challenge. The Committee will also continue to review the size of the Board to confirm that it is appropriate with a good mix of skills, experience and knowledge and the ability to maintain appropriate oversight of the executive team and provide constructive challenge and support.

Our oversight of the significant risks including regulatory, financial and technology challenges facing the Group continues. The Regulatory & Risk Committee reviews these risks and receives assurance from management as to how they are understood and mitigated to the level of risk acceptable to the Board. The Audit Committee continues its work overseeing the internal controls of the business and is assisted in this by our internal auditors. It also works closely with our external auditors and oversees the production of the annual accounts and our financial reporting.

The following report describes the activities of the Board and its committees during 2019 in more detail.

I look forward to reporting on the Board's further progress in next year's annual report.



**Penny Judd**  
Chairman

# BOARD OF DIRECTORS

## THE ROLE OF THE BOARD

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



### Committee membership Key:

- NM** Nomination
- AU** Audit
- RG** Regulatory & Risk
- DS** Disclosure
- RM** Remuneration
- Chairman**

### PENNY JUDD CHAIRMAN

Date of appointment: June 2016

#### Committee membership:

**RG**

Penny Judd is a Non-Executive Director, chairman of the Board and chairman of the Regulatory & Risk Committee. Penny Judd is a chartered accountant with over 30 years of experience in compliance, regulation, corporate finance and audit.

Penny Judd was Managing Director and EMEA Head of Compliance at Nomura International Plc until June 2016. Penny Judd was also a Managing Director and EMEA Head of Compliance at UBS investment bank for nine years. She was a consultant to the London Investment Banking Association (now AFME) and a corporate finance executive at Cazenove & Co.

Penny Judd was previously the UKLA Head of Equity Markets for six years and also worked for ten years at KPMG as a Corporate Finance Manager and Auditor.

Penny Judd sits on the Boards of Trufin Plc, Alpha Financial Management Consulting Plc and Team 17 Plc, in each case as a Non-Executive Director and Chair of the Audit Committee.



**ASAF ELIMELECH**  
**CHIEF EXECUTIVE OFFICER**

Date of appointment: February 2016

**Committee membership:**



Asaf Elimelech is Chief Executive Officer of the Group. 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 to ensure that the Group, through its subsidiaries, met its strategic goals.

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



**CHARLES FAIRBAIRN**  
**SENIOR INDEPENDENT NON-EXECUTIVE**  
**DIRECTOR & EXTERNAL DIRECTOR**

Date of appointment: July 2013

**Committee membership:**



Charles Fairbairn is a Non-Executive Director, the Senior Independent Director and Chairman of the Audit Committee. Charles Fairbairn has held similar positions for a number of publicly traded companies over the past 18 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. Charles Fairbairn graduated from Durham University with a BA (Hons) in Economics and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc as Group Accountant, Group Chief Accountant and latterly Finance Director of Pearson New Entertainment, a start-up division. Over the following 20 years, 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. Charles 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.



**DANIEL KING**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**  
**AND EXTERNAL DIRECTOR**

Date of appointment: June 2013

**Committee membership:**



Daniel King has over 20 years' experience in e-commerce technologies, data and analytics, digital and online media and has extensive knowledge in developing and scaling high-growth companies.

Daniel King is currently the President & COO for Profitero, a SaaS provider of online insights and e-commerce intelligence for retailers and brands. Previously, Daniel King worked for UK Trade & Investment as Head of High Growth & Emerging Markets, working with companies and individual investors looking to set up their business or investment in the UK. Daniel King was previously Managing Partner of Blue Leaf Capital, a private boutique venture capital and advisory services company based in London. Prior to this Daniel King held managing director roles with Compete Inc; 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.

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



**STEVEN BALDWIN**  
**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Date of appointment: June 2017

**Committee membership:**



Steven Baldwin is a non-executive director and chairman of the Nomination Committee. He has an extensive corporate finance background and held the position of Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until 2015 when he decided to pursue a non-executive career.

He is currently the Senior Independent Non-Executive Director of TruFin Plc and is also a Non-Executive Director of The Edinburgh Investment Trust Plc. Prior to joining Macquarie Capital, Steven Baldwin was a Director at JP Morgan Cazenove for ten years and was a Vice President of Corporate Finance at UBS. He qualified as a Chartered Accountant at Coopers & Lybrand.



## **GAL HABER** **MANAGING DIRECTOR**

Date of appointment: June 2013

### **Committee membership:**



Gal Haber is Managing Director of the Company. Gal Haber has over 20 years' experience in software programming and business development. One of the Company's founders, he currently holds the position of Managing Director, having previously held the position of Chief Executive Officer. Gal Haber led the design of the user-friendly trading platform, which represents one of the key competitive advantages for the business.

Before founding Plus500, Gal 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, Gal Haber worked for Top Image Systems Ltd., the enterprise content management specialist. Gal Haber holds a B.Sc. in Computer Science from the Technion – Israel Institute of Technology.



## **ELAD EVEN-CHEN** **GROUP CHIEF FINANCIAL OFFICER**

Date of appointment: July 2016

### **Committee membership:**



Elad Even-Chen is the Chief Financial Officer of the Group, Vice President of Business Development and Head of Investor Relations. Elad Even-Chen's responsibilities cover a broad range of finance, business, corporate and strategic functions, including managing the Group finance departments, and is responsible for Plus500's strategic business development projects and their financial angles.

Elad Even-Chen joined the Group in 2011.

Elad Even-Chen is a certified accountant in Israel and, prior to joining the Group, he was a senior associate at KPMG, specialising in commerce and real estate audit. Elad 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.



# UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

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As a Main Market listed company, with effect from admission to the Main Market of the London Stock Exchange, and with respect to 2019, Plus500 is required to comply with corporate governance policies and practices consistent with the UK Corporate Governance Code 2018 (the "Code") (a copy of which can be found on the website of the Financial Reporting Council: [www.frc.org.uk](http://www.frc.org.uk)), or otherwise explain its reasons for non-compliance.

The following statement is therefore made in respect of the year ended 31 December 2019 in compliance with this requirement. The following sections of this report explain how the principles of the Code were applied and provide cross-references to other sections of the report and/ or the Company's website ([www.plus500.com](http://www.plus500.com)) where more detailed descriptions are available.

For the financial year ended 31 December 2019, the Company has complied with the provisions of the Code, other than in respect of the directors' re-election mechanism and in relation to pay ratios and pay gaps. While the Code recommends the submission of all directors for re-election annually, as a company registered in Israel, it is subject to mandatory corporate governance requirements under the Companies Law, which require that the Company must always have at least two External Directors (as described below). The Company's External Directors are Charles Fairbairn and Daniel King. The External Directors must meet certain statutory requirements of independence and, as prescribed by the mandatory requirements of the Companies Law, must be elected for three-year terms and not annually as the Code recommends.

Plus500 is not required to compile gender pay gaps and pay ratios under the Companies Law whereas companies incorporated in the United Kingdom are required to do so under UK legislation.

# GOVERNANCE REPORT

## THE BOARD

The Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues. The Company's organisational structure has clearly defined lines of authority, responsibility and accountability, which are 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.

## BOARD ACTIVITIES DURING THE YEAR

The Board agrees an annual calendar and forward meeting agenda during the previous year and additionally meets at such other times as required. The matters accepted by the Board for consideration at Board meetings are business strategy, operational highlights and current trading, quarterly forecast, budget and financial performance, governance and risk and regulation.

### Board Activity in 2019

Strategy	Strategy discussions were held on May and December 2019, at which the Board discussed actions to deliver on the strategy for the coming years.
Business, operational highlights and current trading	The Board received monthly updates including CEO reviews, financial and risk and regulatory compliance reports.
Quarterly forecast and budget	Updates were provided and discussed on a monthly basis. A discussion on the 2020 budget was held in December 2019 and it received final approval in February 2020.
Financial performance	The Board reviewed and approved the ongoing trading updates and results announcements. The Board considered and approved dividend distributions and share buybacks, the Consolidated Financial Statements and the Annual Report.
Governance, risk and regulation	The Board received updates and conducted discussions about regulatory developments and emerging risks. It also received training and briefings on regulatory changes and updates, in addition to ongoing updates on compliance matters.
Other	An external effectiveness evaluation of the Board and committees has been conducted and a discussion was held to address follow up and action items.

## BOARD COMMITTEES

The Board has appointed five principal committees to which certain aspects of the Board's work are delegated:

### Nomination Committee

The Nomination Committee has been delegated responsibility for the oversight of appointments to the Board and the senior management team. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 65 to 69.

### Audit Committee

The Audit Committee has been delegated responsibility for ensuring the financial performance of the Group is properly reported on and reviewed and the monitoring of the external auditor, the internal auditor and oversight of internal controls. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 71 to 76.

### Regulatory & Risk Committee

The Regulatory & Risk Committee has been delegated responsibility for the monitoring and oversight of risk management and mitigation and the approval of risk appetite. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 77 to 78.

### Remuneration Committee

The Remuneration Committee has been delegated responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive Officer, Chief Financial Officer and Managing Director, the Chairman and the other Non-Executive Directors, the Company Secretary and other senior executives. The Committee's responsibilities, main activities and priorities for the next reporting cycle are set out on pages 79 to 85.

### Disclosure Committee

The Disclosure Committee assists the Board in fulfilling its obligation to make timely and accurate disclosure of all information that is required to be disclosed to meet legal and regulatory requirements and obligations under the Market Abuse Regulations and the Disclosure Guidance and Transparency Rules of the FCA and the requirement for the Company to establish and maintain adequate procedures, systems and controls to enable it to comply with these obligations. The Committee meets

to discuss the content of announcements proposed to be released to the Stock Exchange and approve their content where relevant.

## OPERATION OF THE BOARD

The Board is responsible to shareholders for the effective direction and control of the Group. The Board is also responsible for the overall strategy and financial performance of the Group and has a formal schedule of matters reserved for its approval. The schedule of matters covers key strategic, financial and operational matters including:

- approval of the Group's strategic aims and objectives;
- approval of the annual operating and capital expenditure budgets of the Group, and any material changes to them;
- changes to the Group's capital structure, management and control structure;
- contracts which are material strategically or by reason of size, entered into by the Company or any subsidiary in the ordinary course of business; and
- recommending appointments to the Board.

The Company Secretary, Dana Comber, is responsible for ensuring that the Company complies with the statutory and regulatory requirements and maintains high standards of corporate governance. She supports and works closely with the Chairman of the Board, the Chief Executive Officer and the Board committee chairs in setting agendas for meetings of the Board and its committees and supports the transfer of timely and accurate information flow from and to the Board and the management of the Company. Dana Comber is a certified lawyer in Israel. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

## BOARD EFFECTIVENESS

The Board holds its meetings in accordance with its scheduled calendar. Each Board meeting is preceded by a clear agenda and any relevant information is provided to the directors in advance of the meeting. The Board met on eight occasions in 2019 to review, formulate and approve the Group's strategy, budgets and corporate actions and to oversee the Group's progress towards its goals. The Board also holds regular telephone calls to

update the members on operational and other business matters. A summary of the key activities of the Board in 2019 is set out on page 58.

Where directors have concerns which cannot be resolved about the running of the Company or a proposed action, they may request that their concerns are recorded in the Board minutes. An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice.

Newly appointed directors are made aware of their responsibilities through the Company Secretary. The Company provides the directors with training sessions via internal meetings, presentations and conversations which are conducted by Company advisors, management and other relevant persons during the year in order to enable greater awareness and understanding of the Company's business and the environment in which it operates.

The Chairman is responsible for leading the Board and ensuring its effectiveness by setting the relevant agenda and providing sufficient time for constructive discussions in which the Board has the ability to

challenge the discussed items. The Chairman is responsible for creating the open and engaging atmosphere that enables the healthy and constructive discussions of the Board. The Chairman is also responsible for ensuring effective communication between Executives, Non-Executive Directors, shareholders and between other major stakeholders and the Board, in line with the Company's Written Statements of Responsibilities. The Chief Executive Officer acts as the main point of communication between the Board and the management and is responsible for the day-to-day running of the business and implementation of strategy.

Collectively, the Non-Executive Directors bring a valuable range of expertise in assisting the Company to achieve its strategic aims. The effectiveness of the Board benefits from the following skills and experience offered by current members of the Board: financial services, finance and accounting, governance and regulatory, research and development, technology and CFD trading and financial instrument expertise.

<b>Board Composition</b>	<b>Scheduled meetings eligible to attend</b>	<b>Scheduled meetings attended</b>
<b>Chairman</b>		
Penny Judd	8	8
<b>Executive Directors</b>		
Gal Haber	8	8
Asaf Elimelech	8	8
Elad Even-Chen	8	8
<b>Senior Independent Non-Executive, External Director</b>		
Charles Fairbairn	8	8
<b>Independent Non-Executive, External Director</b>		
Daniel King	8	8
<b>Independent Non-Executive Director</b>		
Steven Baldwin	8	8

The Board is comprised of three Executive Directors: Gal Haber, Asaf Elimelech and Elad Even-Chen, and four Non-Executive Directors: Penny Judd (Chairman of the Board), Charles Fairbairn (Senior Non-Executive Director), Daniel King and Steven Baldwin. Penny Judd was independent on appointment, in accordance with the requirements of the Code. As Senior Independent Director, Charles Fairbairn is available to meet with shareholders if they have concerns which are not being addressed through the usual channels of the Chief Executive Officer, the Chief Financial Officer or the Chairman.

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 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. In addition to the above, 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 and Remuneration Committees must comply with the director independence requirements.

## **ELECTION OF DIRECTORS**

Following recommendations from the Nomination Committee and review by the Chairman, the Board considers that all directors continue to be effective, remain committed to their roles and have sufficient time available to perform their duties. Information with respect to directors re-election will be set out in the 2020 Notice of AGM.

## **INDEPENDENCE OF NON-EXECUTIVE DIRECTORS AND TIME COMMITMENT**

Each of the Non-Executive Directors is considered to be independent of management and is considered by the Board to be free from any business or other relationships that could compromise their independence. Their role is to effectively advise and challenge management, and to monitor management's success in delivering the

strategy agreed by the Board. Non-Executive Directors held discussions and met during the year, without the Executive Directors present, in order to review and monitor management performance.

Each director is aware of the need to allocate sufficient time to the Company in order to fulfil their responsibilities and is notified of all scheduled Board and Board Committee meetings. None of the Non-Executive Directors hold any directorships in any FTSE 100 companies.

## **CONFLICTS OF INTEREST**

The Company has procedures for the disclosure and review of any conflicts of interest, or potential conflicts, which the directors may have. The Board members are asked to disclose any conflicts of interest at each scheduled Board meeting. Each director is aware of their responsibility to avoid conflicts of interest and to disclose any conflict or potential conflict of interest to the Board. 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 shall not attend that meeting or vote on that matter, unless a majority of the respective forum has a personal interest in the matter as well. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a personal interest in the transaction, then 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.

## **BOARD EVALUATION**

Plus500, in accordance with Provision 21 of the UK Corporate Governance Code, carried out an external Board Evaluation in the second half of 2019, with the feedback report presented by Genius Boards at the December Board meeting.

The evaluation covered attending several Board meetings and Committee meetings, interviewing the Board Directors, the Company Secretary and several executives and relevant advisors to the Company.



The observations and interviews gave the evaluator and the participant a safe, unattributed environment to discuss, inter alia:

#### **Governance**

- Board administration, governance, cycles, agendas and papers
- Structure of the Board and the Board Committees
- Director composition of the Board and Committees, and further executive membership on Committees

#### **Board Dynamics**

- Meetings, content, discussion, debate, challenge and assurance
- Contribution, quality, environment, commitment
- Chairmanship and leadership of each meeting

#### **Board Behaviour**

- Communication, engagement and interactions of the directors
- Support, working together and independent thought
- Strategic focus, attention to corporate risks, delivery under director's duties

#### **Board Effectiveness**

- Culture, shared objectives, focus on what is right for the business
- Decision making, long term and sustainable focus, delivery through executives
- Accountable and holding the business to account

The findings determined that the Board was effective in relation to:

- Financial wellbeing, transparency of information, is entrepreneurial and is delivering value to investor stakeholders
- Effective support and engagement with the internal stakeholder, creating a family culture and long term staff engagement
- Progressing the governance journey
- Technology innovation and creativity
- Growth and expansion, led by CEO and CFO who work well together and know the business
- Management information is willingly available to the relevant parties
- Good regulatory, risk and business knowledge on the Board

Opportunities for improved effectiveness were also identified. To improve effectiveness, the Board is evaluating the results of the external evaluation and taking measures to address and strengthen different focus areas resulting from the evaluation, including appointment of additional Non-Executive Directors to support the delivery of desired outcomes of the evaluation and ongoing review of evaluation outcome progress against time and delivery benchmarks.

The Board, supported by the Company Secretary, will apply themselves delivering the agreed actions arising from this review. The Company recognises the value of Environmental, Social, and Governance ("ESG") expectations of the investor community and is engaging and evidencing the progress achieved, noting the applicable ESG lens.

### **ENSURING THAT THE ANNUAL REPORT IS FAIR, BALANCED AND UNDERSTANDABLE**

In relation to the Annual Report and the Consolidated Financial Statements for the year ended 31 December 2019, the Board, in conjunction with the Audit Committee have sought to ensure that the Annual Report is fair, balanced and understandable. The Board considers that, taken as a whole, the Annual Report is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

# SHAREHOLDER ENGAGEMENT

The Company encourages the participation of both institutional and private investors. In 2019, the Chief Executive Officer, Asaf Elimelech, and Chief Financial Officer, Elad Even-Chen met regularly with institutional investors, usually with regard to the issuance of half and full year results. The Chairman of the Board and Senior Non-Executive director meet regularly with key investors as well.

Communication with private individuals is maintained through the Annual General Meeting, the Company's annual and interim reports and the scheduled, or otherwise required, trading updates. The Chairmen of the Company's Audit, Remuneration, Nomination and Regulatory & 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 on its website ([www.plus500.com](http://www.plus500.com)), which includes copies of the Company's press releases, financial presentations and reports.

Regular updates are provided to the Board on meetings with shareholders and analysts, as well as on brokers' opinions. Non-Executive Directors are available to meet major shareholders, as required. Investors are also encouraged to contact the Company's Investor Relations at: [ir@Plus500.com](mailto:ir@Plus500.com).

## MAJOR INTERESTS IN SHARES

As at 3 April 2020, being the latest practicable date before the approval of this report, the Company is aware of the following persons who, directly or indirectly, were interested in 3% or more of the Company's capital or voting rights:

Notifying party	No. of shares held or controlled %	
Odey Asset Management	9,159,542	8.56
BlackRock Inc	6,279,869	5.87
Sparta 24 Ltd.	5,433,089	5.08
The Vanguard Group, Inc	4,577,202	4.28
The Goldman Sachs Group, Inc	3,617,347	3.38
Bank Hapoalim	3,536,042	3.30

## 2019 ANNUAL GENERAL MEETING

The 2019 Annual General Meeting was held on 18 June 2019 at the offices of Liberum Capital.

All resolutions were duly passed by shareholders by means of a poll vote. The Board noted that more than 20% of the votes were cast against Resolution 5 relating to the re-appointment of Steven Baldwin, the chair of the Nomination Committee, due in part to the desire of certain shareholders to see greater diversity on the Board, particularly around female representation. Since the AGM result, the Company has actively engaged with shareholders to better understand their concerns and the Board has subsequently undertaken an external evaluation process and has initiated a formal process for the addition of a new independent non-executive director. The Board will continue its engagement and dialogue with shareholders and their representatives on this matter.

## 2020 ANNUAL GENERAL MEETING

In light of the restrictions relating to COVID-19, the Board has agreed to defer the 2020 AGM to a later date. Whilst the Company hopes that this postponement will allow for the holding of a customary Annual General Meeting, changes to the usual arrangements may be made. 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 to all shareholders in due course.



# REPORT OF THE NOMINATION COMMITTEE

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**Steven Baldwin**

Chairman of Nomination Committee

Dear Shareholder,

As the Chairman of the Nomination Committee, I am pleased to take this opportunity to give you an overview of the work of the Nomination Committee during 2019.

The Board composition remained unchanged during the year and this has provided continuity prior to and during the process of the Company's move up to the Main Market. However, the Board is committed to continuously evaluating and reviewing the structure, size and composition of the Board, including the balance of skills, knowledge, experience and diversity of the Board while factoring in the Company's strategy, risk appetite and future development.

The Company appointed Genius Boards as an external evaluator to assess and determine the appropriateness of the Board's composition and the individual directors holding their respective positions. As part of the evaluation process, Genius Boards conducted face-to-face meetings with directors and relevant Company advisors. Genius Boards has no connection with the Company or with individual directors. One of the outcomes of the evaluation was the need to strengthen the Board with the appointment of further non-executive directors to enhance the Board's composition.

During 2019, the Committee has undertaken a review of the composition of the Board and taken into account the findings of the external review conducted. As a consequence of this work, the Committee determined that it should commence a search for a suitable new independent non-executive director. The Board is committed to diversity of gender, ethnicity, background, nationality and professional experience as the key pillars of this search.

A recruitment process for a new independent non-executive director is now underway and the Board has engaged True Europe LLP ("True Search") as its external search consultancy to undertake the search. The Company and the individual directors have no connection with True Search.

The Committee is mindful of the Hampton-Alexander Review and through our search for a new non-executive director, the Board is aiming to increase female presence on the Board, which currently includes one female non-executive director (our chairman, Penny Judd) to help ensure that the Company increases its talent diversity.



The Nomination Committee also evaluated the nomination of Board members for re-election at the 2019 AGM in June and while all resolutions were passed with strong levels of shareholder support, a significant minority voted against resolution 5, which related to my re-election as director. Total votes received in favour of this resolution were 79.71% and votes against totaled 20.29%.

Since the 2019 AGM, the Company has actively engaged with shareholders during conferences, scheduled meetings as part of the half yearly road show and also through ad-hoc meetings, in order to understand and address their concerns. As a result of discussion with shareholders, the Committee understands that the size of the vote against my re-election was due in part to the desire for greater gender diversity on the Board. The Committee is investing significant time and effort into achieving greater gender diversity through the appointment of an additional female non-executive director and the Board will keep shareholders up to date with progress on this important matter.

Due to the enhanced role of the Nomination Committee set out in the UK Corporate Governance Code, we are continuing to develop our programme of activity accordingly. Throughout 2019, the Nomination Committee also spent time reviewing and discussing succession planning across the business.

The Committee is continuing to take steps to ensure that there is a strong talent pipeline with the necessary set of skills and expertise, whilst considering female representation and other diversity pillars as part of this process.



**Steven Baldwin**  
Chairman of the Nomination Committee

## COMMITTEE COMPOSITION

The Nomination Committee comprises Steven Baldwin, Daniel King, Charles Fairbairn and Gal Haber, and is chaired by Steven Baldwin. The Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Board considers Steven Baldwin, Charles Fairbairn and Daniel King to be independent for the purposes of the Code. Details of the skills and experience of the Committee members are set out at page 68 of the report. Details of individual attendance at meetings are set out in the Committee Attendance table below.

### Committee Attendance

Nomination Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Gal Haber	4	4
Charles Fairbairn	4	4
Daniel King	4	4
Steven Baldwin	4	4

## COMMITTEE RESPONSIBILITIES AND ACTIVITIES

The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, considering succession planning and ensuring diversity at Board-level. The other key governance mandates pursuant to the written terms of reference of the Nomination Committee (which are available on the Company's website) are as follows:

- to oversee succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company;
- to identify, and nominate for the approval of the Board, candidates to fill Board vacancies (including external directors vacancies);
- to make recommendations concerning the continuation in office of any director at any time, including the suspension or termination of service; and

- to prepare a description of the role and capabilities required for a particular appointment.

The Nomination Committee meets not less than twice a year and at such other times as required. The Nomination Committee takes into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board and Committees in the future, whilst remaining committed to diversity of gender, ethnicity, background, nationality and professional experience and developing a talent pipeline reflective of this diversity.

A summary of the major activities and decisions of the Committee in 2019 is set out below.

### Summary of major activities and decisions of the Committee in 2019

Board Composition	Re-election of directors
	Review of core skills and experience of the Board and the independence of the Non-Executive Directors
	Review of membership of committees
Succession Planning	Review tenure of the directors
	Review of Company's succession plans
	Foster the development of talented employees throughout the business
Diversity	Review of Equality and Diversity policy
	Review of diversity on the Board
External Board Evaluation	Discussion and assessment of external Board evaluation findings

Following the activities of the Committee in 2019, the Committee is confident that each director brings a unique set of skills and experience which enable the Board to be reflective of a diverse and varying range of perspectives and opinions and to enable the Company to achieve its strategy and targets going forward.

The Committee believes that each director's contribution is important to the Company's long term sustainable success.

## Relevant skills and experience on the Board

	Penny Judd	Elad Even-Chen	Asaf Elimelech	Gal Haber	Charles Fairbairn	Daniel King	Steven Baldwin
Audit and risk management	NED	ED	ED		NED		NED
Finance, banking, financial services and fund management	NED	ED	ED		NED		NED
Capital raising, mergers, acquisitions, investment and transactions	NED						NED
Marketing				ED		NED	
Compliance & Regulation	NED	ED	ED		NED		NED
Shareholder relations		ED	ED	ED			NED
Digital technology				ED		NED	
Innovation				ED	NED	NED	

### Committee membership Key:



Executive Director



Non-Executive Director

## PRIORITIES FOR 2020 FINANCIAL YEAR

In the coming year the Committee will continue to focus on key themes such as diversity and succession planning and ensuring a diverse talent pipeline throughout the Group. As noted above, the Committee also aims to complete the appointment of an additional female non-executive director and will continue to review the Board composition with a view to making any further changes deemed appropriate.

### DIVERSITY

The Board's policy on diversity commits to:

- ensuring the selection and appointment process for employees and directors includes a diverse range of candidates;
- disclosing statistics on gender diversity in every Annual Report (page 42); and
- reviewing this policy from time to time and continuing to disclose this policy in the Annual Report.

As stated above, the Board is strongly committed to achieving greater gender diversity through the appointment of a new female non-executive director in the near future in 2020. The Board anticipates that this appointment will help alleviate shareholder concerns relating to the current gender imbalance on the Board. However, the Board is also mindful that the appointment of an additional female director will not meet the 33% target for female board representation set out in the Hampton-Alexander Review. The Board will therefore continue to focus on gender diversity as a key priority and to engage with its shareholders and keep stakeholders up-to-date in respect of developments on this topic.

The Committee notes the updated requirement under the Disclosure Guidance and Transparency Rules (DTR) for our 2019 Annual Report to disclose diversity policies with regard to aspects such as age, gender, educational and professional backgrounds. Our diversity data is disclosed in our Corporate Responsibility report on pages 41 to 43.

### Board Diversity Policy objectives

### Progress update

Ensuring the selection and appointment process for employees and directors includes a diverse range of candidates	Review employees' recruitment procedure which includes non-discriminatory selection process, allowing the recruitment of a diverse workforce.
Improve gender diversity at Board and senior management level	The Board has appointed True Search to assist in the search for another female Board member.
Review Board diversity policy	The Committee has reviewed and approved the Board's diversity policy.

### SUCCESSION PLANNING

The Committee has spent time in 2019 considering the important matter of succession planning across the business. In order to ensure minimal business disruption in the event of any unexpected senior management or Board departures, the Committee is committed to continue developing plans for identifying appropriate successors in the short, medium and long-term, whilst also having regard to the importance of diversity throughout the Group.

Due to the size of the Group it is not always possible to identify internal successors for all roles throughout the business. Nevertheless, the Committee has reviewed plans for the succession of senior management roles throughout the business and has identified appropriate candidates as potential successors.





# REPORT OF THE AUDIT COMMITTEE

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**Charles Fairbairn**  
Chairman of the Audit Committee

Dear Shareholder,

I am pleased to take this opportunity to give you an overview of the work of the Audit Committee during 2019. The Audit Committee performs a key role in the Group's governance framework, in assessing internal controls across the Group and ensuring the integrity of the Group's financial results.

Both financial reporting and the associated assurance of these reports that the Audit Committee is responsible for review have been important priorities during the year.

With the assistance of Deloitte, our internal auditor, we reviewed and monitored a multi-year internal audit plan and associated risk survey which we will continue to review and update over time.

The Committee also reviewed a list of non-audit services provided this year by the Company's external auditor and approved its plan for 2020.

A handwritten signature in black ink, appearing to read 'C Fairbairn', with a long horizontal flourish extending to the right.

**Charles Fairbairn**  
Chairman of the Audit Committee

## COMMITTEE COMPOSITION

The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience. The Audit Committee is chaired by Charles Fairbairn, and its other members are Daniel King and Steven Baldwin. All of the members are therefore independent Non-Executive Directors.

The directors consider that Charles Fairbairn has recent and relevant financial experience in accordance with the requirements of the Code. Details of the skills and experience of the Committee members are set out on page 68 of the report. Details of individual attendance at meetings is set out in the Committee Attendance table.

### Committee Attendance

Audit Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Charles Fairbairn	7	7
Daniel King	7	7
Steven Baldwin	7	7

## COMMITTEE RESPONSIBILITIES AND ACTIVITIES

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and reviewed. The other key governance mandates pursuant to the written terms of reference of the Audit Committee (which are available on the Company's website) are as follows:

- to monitor the integrity of the Consolidated Financial Statements of the Group (including annual and interim accounts and results announcements);
- to monitor the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- to advise on the appointment of the Company's external auditor and on their remuneration; and
- to monitor and review the effectiveness of the Company's internal audit function.

In addition, under the Companies Law, the Audit Committee is required to monitor deficiencies in the administration of the Company, including by consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review the internal auditor's audit plan and to establish and monitor whistleblower procedures.

The Audit Committee meets not less than four times a year and otherwise as required. The Audit Committee met on seven occasions during 2019. The internal and external auditors have the right to attend meetings. The relevant Executive Directors, the Company's legal advisors and other persons may, by invitation from the Audit Committee, attend meetings. At least once per year, the Audit Committee meets privately with the external auditor.

A summary of the major activities and decisions of the Committee in 2019 is set out below:

### Summary of major activities and decisions of the Committee in 2019

Financial Performance Review	Review of the financial performance and Consolidated Financial Statements of the Company
Internal Audit Review	Review assessments of the control environment via internal audit reports, and progress on implementing internal and audit recommendations
External Audit Review	Review progress on implementing external audit recommendations. Monitor and review the effectiveness and independence of the external audit function
Risk Control	Assist the Board in the monitoring of the Group's internal controls and risk management systems and their effectiveness

## SIGNIFICANT ACCOUNTING AND FINANCIAL JUDGEMENTS IN 2019

The Committee considered a number of significant accounting and financial judgements and estimates, which were discussed with the external auditors in the planning stage of the audit, and received the external auditor's confirmation that no additional matters have arisen and require the Committee's attention.

The significant judgements considered were: revenue recognition, the control environment, non-compliance with laws and regulations and appropriateness of the going concern basis of the Financial Statements and the level of cash required within the business to satisfy both external regulators and the Group's attitude to market risk.

Key financial reporting and significant financial judgements	How the issue was addressed by the Audit Committee
<p>Revenue recognition</p> <p>The recognition of revenue is a key matter to be reviewed, monitored and tested</p>	<ul style="list-style-type: none"> <li>• The Committee held meetings, among others, with the operation, R&amp;D and risk teams to verify compliance of revenue recognition from all related aspects such as: IT general controls, access to programs and supporting data, program changes and computer operations for the platform and for the ERP system</li> <li>• The Committee also discussed this matter with the external auditor at the planning and conclusion phases of the audit</li> <li>• The Audit Committee concluded the revenue recognition process is appropriate and controls are efficient and are appropriately disclosed in the Financial Statements</li> </ul>
<p>Review and assessment of the control environment</p>	<p>The Audit Committee is ultimately responsible of the supervision over the control environment. A key role of the Committee is to provide oversight and reassurance to the Board with regard to the integrity of the Company's financial reporting, internal control policies and procedures for the identification, assessment and reporting of risk</p> <ul style="list-style-type: none"> <li>• The Committee reviewed the Internal Audit Reports produced in the year, discussed key findings with management and reviewed the implementation of all Internal Audit report recommendations brought forward from previous years, in addition the Committee reviewed key Audit risk topics in assessing the Internal Audit reports commissioned for 2019</li> <li>• The Audit Committee concluded the internal controls are efficient</li> </ul>
<p>Review and assessment of non-compliance with laws and regulations</p>	<p>A key risk to the business is the fact that the Group's business is subject to various laws and regulations in different countries according to its activity</p> <ul style="list-style-type: none"> <li>• The Committee, in conjunction with the work of the Regulatory &amp; Risk Committee, reviewed regulatory reports prepared by the dedicated team, in addition to reviews performed by external consultants to ensure compliance with local regulations in the areas the Group operates</li> <li>• The Committee considers the grid of audits and regulatory reviews and reviews their findings. The relevant aspects of such reviews to the Committees' work are being discussed and assessed by the Committee</li> <li>• Based on discussions with management and discussions held in the Regulatory &amp; Risk Committee, the Audit Committee came to the conclusion that the Group is compliant with all required regulations and there is no need for provisions</li> </ul>



**Key financial reporting and significant financial judgements****How the issue was addressed by the Audit Committee**

Review and assessment of appropriateness of the going concern basis of the Financial Statements and long-term viability

Going concern and viability are key matters for the operations of the Group

- The Committee has reviewed the assessment setting out the key assumptions related to the nature of the Group's business, budget reports and cash flow forecasts for the period of three years ending 31 December 2022, taking into account the Company's anticipated investment commitments and working capital requirements
- These reports detailed the impact of outcomes of stress tests after applying multiple scenarios to determine how the Group is able to cope with deterioration in liquidity profile or capital position
- The Committee agreed to recommend the Going Concern and Viability Statement to the Board for approval

Review and assessment of the level of cash required within the business to satisfy both external regulators and the Group's attitude to market risk

The Group requires a level of cash to ensure that it can operate its trading platform and maintain sufficient cash in its regulated entities to satisfy regulators and operational needs

- The Committee reviews on an ongoing basis the level of cash required from regulatory, operationally and risk perspective
- The Audit Committee concluded that cash amounts are sufficient

## EXTERNAL AUDITOR

It is the responsibility of the Audit Committee to keep under review the scope and cost effectiveness of the external auditor. This includes recommending to the Board the appointment of the external auditor and reviewing the scope of the audit, approving the audit fee and, on an annual basis, satisfying itself that the auditor is independent. The external auditor is engaged to express an opinion on the Consolidated Financial Statements. The external auditor discusses with management the reporting of operational results and the financial state of the Company, to the extent necessary to express their audit opinion.

## PERFORMANCE AND EFFECTIVENESS OF THE EXTERNAL AUDITOR

Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, is retained to perform audit and audit-related work on the Company and the majority of its subsidiaries. The Committee assesses the auditor's independence and effectiveness at least on an annual basis.

The Audit Committee monitors the nature and extent of non-audit work undertaken by the auditors. Given the non-audit work undertaken by the external auditor and the Committee's oversight of its work, the Committee is satisfied that the independence and objectivity of the external auditor was adequately safeguarded throughout 2019. Nevertheless, the external auditor's independence and objectivity is kept under review and is a standing item on the agenda for the Audit Committee.

In addition, the Audit Committee periodically monitors the cost of non-audit work undertaken by the external auditor. The Audit Committee considers that it is in a position to take action if at any time it believes there is a risk of the auditor's independence and objectivity being undermined through the award of this task.

Having assessed the external auditor's effectiveness and independence during 2019, the Audit Committee concluded that the audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally. The Audit Committee reviewed the re-appointment of the external auditor and recommended

to the Board that the external auditor be proposed for re-election at the upcoming Annual General Meeting.

## AUDIT TENDER PROCESS

The Company will tender the external auditor appointment for the financial year ended 31 December 2023. The Committee remains satisfied with the external audit process and is currently not planning to undertake a formal tender process until the financial period ended 31 December 2023. The Group is required to rotate the audit partner responsible for the Group audit every five years, with this year being the third year for the current audit partner.

## NON-AUDIT SERVICES

The Company maintains a Non-Audit Services Policy in order to ensure that the provision of non-audit services do not impair the external auditor's independence or objectivity. During 2019, Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited, provided non-audit services, such as tax assessments and advice and regulatory reporting requirements, which totalled \$0.3 million (including assurance related services of \$0.1 million).

## OVERVIEW OF THE NON-AUDIT SERVICES POLICY

Under the policy, all services provided by the external auditor (other than the audit itself) are regarded as non-audit services. The policy draws a distinction between permitted services (which could be provided subject to conditions set by the Committee) and prohibited services. The type of non-audit services deemed to be permitted include assurance work on non-financial data, tax services including tax advisory, and reporting best practice.

The Committee has provided pre-approval which allows management to appoint the external auditor to conduct permitted non-audit services if they fall below a set fee level. The Committee reviews the pre-approval limit on an annual basis and it is currently set at \$50,000. Any non-audit service provided by the external auditor is reported to the Board. In the event that the provision of non-audit services would exceed \$50,000, the Committee would request Board approval.

## INTERNAL AUDITOR

Pursuant to the Companies Law, the Board must appoint an internal auditor recommended by the Audit Committee. An internal auditor may not be:

- a person who holds more than 5% of the Company's outstanding shares or voting rights;
- a person who has the power to appoint a director or the Chief Executive Officer of the Company;
- an officer or director of the Company; or
- a member of the Company's independent accounting firm, or anyone on its behalf.

The role of the internal auditor is to examine, among other things, the Company's compliance with applicable laws and orderly business procedures. The Audit Committee is required to oversee the activities and to assess the performance of the internal auditor, as well as to review the internal auditor's work plan. Brightman Almagor Zohar & Co. (Deloitte Israel), a member firm of Deloitte Touche Tohmatsu Limited, serves as the Company's internal auditor.

## WHISTLEBLOWING POLICY

The Company operates a Whistleblowing Policy which allows anonymous reporting to assist individuals who believe that they have discovered malpractice or impropriety within the Group. It provides a method of properly addressing bona fide concerns that individuals within the Group might have, while also offering whistleblowers protection from victimisation, harassment or disciplinary proceedings. The Audit Committee reports to the Board on the effectiveness of the Company's whistleblowing mechanism and on any matter that arises as a result of it. The current Whistleblowing Policy supervisor is Daniel King.

## FAIR, BALANCED AND UNDERSTANDABLE

The Audit Committee undertakes a duty to consider whether the 2019 Annual Report and Consolidated Financial Statements taken as a whole, are fair, balanced and understandable, while final determination lies within the responsibilities of the Board. The Committee, on behalf of the whole Board, also assesses whether there is enough information in the Annual Report and Consolidated Financial Statements necessary for shareholders to evaluate the financial position, performance, governance, business model and strategy of the Group.

## The process

During the drafting process of the 2019 Annual Report and Consolidated Financial Statements, the Committee is given the opportunity to comment and provide feedback on the drafts. The Committee also considers whether the content provided in the report has illustrated the whole picture for the year. The Committee then evaluates whether the report is consistent throughout, with a clear layout and linkage to the different front and back sections, and whether it is presented in a logical manner to the shareholders.

## Conclusion

Following the review, it was the Committee's opinion that the 2019 Annual Report and Consolidated Financial Statements are representative of the year and, taken as a whole, present a fair, balanced and understandable overview and the information necessary for shareholders to assess the financial position, governance, performance, business model and strategy of the Group.

# REPORT OF THE REGULATORY & RISK COMMITTEE

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**Penny Judd**  
Chairman

Dear Shareholder,

Regulatory compliance and risk management underpin the integrity of our business model and continued delivery of our strategy. The Regulatory & Risk Committee receives regular reports on both compliance and risk and challenges the performance in these areas. It also receives reports on specific areas where more detailed testing or investigation is felt appropriate. These are described more fully in the following report.

In addition, the Board undertook a thorough review of the risks to the business and updated its internal risk matrix accordingly. We have also monitored new areas of regulatory compliance such as emerging risks and developments in securities markets regulation.

The Committee and the Board have received reports on the implementation of the product intervention measures introduced in Europe, preparation for the anticipated ASIC product intervention measures with respect to retail customers in Australia and potential Brexit scenarios. The Committee received comfort that the applicable measures have been considered and effectively implemented.

Our priorities for the coming year will be to continue to monitor regulatory changes and to seek to continue to enhance the risk assessment and monitoring within the business in the face of changing regulatory and market conditions, including the impact of COVID-19 virus.

A handwritten signature in black ink, appearing to read 'P Judd'.

**Penny Judd**  
Chair of the Regulatory & Risk Committee



## COMMITTEE COMPOSITION

The Regulatory & Risk Committee is chaired by Penny Judd. The other members are Charles Fairbairn, Asaf Elimelech and Elad Even-Chen. The Regulatory & Risk Committee receives updates from management on risk, compliance and regulatory issues and reviews the related internal systems. Details of individual attendance at meetings is set out in the Committee Attendance table.

### Committee Attendance

Regulatory & Risk Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Penny Judd	6	6
Charels Fairbairn	6	6
Asaf Elimelech	6	6
Elad Even-Chen	6	6

## COMMITTEE RESPONSIBILITIES AND ACTIVITIES

The Regulatory & Risk Committee meets not less than three times a year and otherwise as required. The Regulatory & 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 applicable laws, regulations and orders as required. Its activity includes reviewing relationships with regulatory authorities such as the FCA, ASIC, CySEC, FSCA, FMA, ISA, MAS, FSA and other regulatory authorities, as appropriate, in jurisdictions where the Group has a significant presence; reviewing risk assessment programmes and internal controls and risk management.

The Regulatory & Risk Committee has responsibility for reviewing the Company's most significant risks to the achievement of strategic objectives and any emerging risks, reviewing the Company's Risk Policy, ensuring that the Company's Board ethics are being adhered to and that the Company continues its commitment to issues concerning social responsibility.

### Summary of major activities and decisions of the Committee in 2019

Regulatory Review	Periodic regulatory and compliance reports review
	Oversee the implementation of new regulatory requirements
	Monitor and assess the Group's relationships with regulatory authorities
Licence Application Review	Review licence applications submitted during the period
Risk Review and Assessment	Review periodic risk reports
	Review risk assessment programmes and internal risk management controls

# REPORT OF THE REMUNERATION COMMITTEE

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**Daniel King**

Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present an overview of the work of the Remuneration Committee during 2019.

The Board recognises that directors' remuneration is a key consideration for shareholders of the Company. Plus500 operates within an extremely competitive environment, where performance depends to a great degree on the individual contributions of the directors and employees, and the Company believes in rewarding vision and innovation.

The Remuneration Committee has continued its efforts to change the remuneration arrangements of the executive directors and employees to better align executive compensation with UK governance standards followed by Main Market-listed companies and move further towards a structure in line with investor expectations and developments in best practice.

In order to adapt the remuneration structure to ensure that it meets the needs of Plus500, the Remuneration Committee consulted with KPMG's UK based remuneration practice ("KPMG LLC"), and have together continued to evolve a set of remuneration principles to provide an improved framework for a robust remuneration structure.

Under this framework, the Remuneration Committee is driving for the adoption of remuneration arrangements that align executive compensation nearer to UK governance standards, while also remaining sensitive to the business needs in retaining and motivating an exceptional management team who are resident in Israel, where the Company is registered.

The circumstances of the Company place the Remuneration Committee in the position of needing to strike a balance between the structured remuneration practices in the UK and the more varied set of arrangements available to Israel-based companies.

This is fundamental as the Company needs to retain and incentivise a management team operating in the extremely competitive environment of the Israeli high-tech industry, characterised by numerous successful companies, including major US-listed competitors, operating in close proximity.

The remuneration packages of the executive directors are comprised of the following four elements:

- *Annual Salary*. A fixed annual salary set at a rate which is below the lower quartile for comparably sized UK companies and FTSE 250 companies. The annual salary is maintained at these low levels

in line with the Company's philosophy of "low fixed/ high variable pay potential" which ensures that total remuneration levels are fully aligned with performance and shareholder interest.

- *Annual Bonus.* A conventional capped annual bonus, set by reference to a multiple of the annual salary, payable subject to achievement of KPIs, with a portion of the achieved annual bonus deferred and paid over a three year period. The achieved annual bonus is partially share settled to further align the interests of management and that of shareholders and allow the management team to build up an appropriate level of shareholding (a minimum of two times base salary) in line with UK corporate governance best practice.
- *LTIP Award.* A conventional LTIP award payable subject to achievement of KPIs, with a conventional long-term vesting period and lock-up period. The size of the LTIP is significantly less than that provided to executives of comparably sized UK companies and FTSE 250 companies, in light of the Share Appreciation Rights (SARs) remuneration element described below, which is more customary in Israel than an LTIP.
- *Share Appreciation Rights.* The share appreciation rights are a long-term cash incentive payable tied to the long term performance of the Company's Ordinary Shares, and payable subject to achievement of KPIs and a long-term vesting period. The share appreciation rights have been used by the Company very successfully since its initial flotation on AIM in 2013 in order to remain competitive in the Israeli hi-tech market as its primary measure for staff retention. Listed hi-tech companies in Israel use share appreciation rights as one of their primary retention mechanisms. Removing this element would put the Company at a substantial competitive disadvantage relative to other high-tech companies and make it substantially unable to retain talent. Further, if share appreciation rights were to be removed, the only available alternative to retain talent would be to increase fixed pay (i.e. effectively bringing it more in line with UK market median levels), which would not be in line with shareholder interest. It is further noted that share appreciation rights are used to incentivise management more generally (not only CEO and CFO), therefore providing some uniformity of treatment across the management team, promoting a culture of

collaboration among all executives as everybody shares the same incentives.

The above factors are reflected in the changes to the executive directors' remuneration which were approved by the Company's shareholders in the Extraordinary General Meeting (the "2019 EGM"), held in January 2019.

In accordance with Israeli law, all changes to directors' remuneration require prior approval of the Company's shareholders. Accordingly, the remuneration packages for the Executive Directors for 2019, which are described below, were approved by the shareholders in the 2019 EGM held in January 2019 and therefore, there was no advisory vote on the 2019 remuneration in the Company's 2019 AGM.

The remuneration packages for the Executive Directors for 2020 were approved by the shareholders in the EGM held in February 2020. The Committee and the Board noted that there were a number of votes (35%) cast against the 2020 remuneration terms of Asaf Elimelech and Elad Even-Chen proposed at the February 2020 EGM. The Board and the Remuneration Committee take these votes seriously and will continue to consider shareholder feedback before deciding which steps to take to ensure the Remuneration Policy is better understood and implemented as appropriate. The Board and the Remuneration Committee also reiterates the commitment to achieving and maintaining the highest governance standards.

### Corporate Governance Reforms

The new UK Corporate Governance Code is effective for financial years beginning on or after 1 January 2019. The Company has therefore taken steps during 2019 to ensure compliance with the UK Corporate Governance Code. The table below sets out a summary of the new requirements relating to executive remuneration and the Committee's approach to the implementation of the same.

The Remuneration Committee believes that the executive remuneration arrangements are clear and understandable and ensure that the Executive Directors are not incentivised to take unnecessary risks.

## 2018 UK Corporate Governance Code (the "UK Corporate Governance Code" or the "Code")

Code requirements	Compliance and implementation
Remuneration Committee chairman to have served on a remuneration committee for at least 12 months before appointment	Daniel King has been chairman of the remuneration committee for over six years
Review of workforce remuneration and related policies	The Remuneration Committee, together with KPMG LLC, reviewed remuneration policies. Workforce remuneration was reviewed and discussed by the Remuneration Committee
Share awards to be subject to a total vesting and holding period of five years or more	2020 LTIP is subject to three years vesting, additional two years of lock-up period and achievement of KPIs determined by the Remuneration Committee
Formal policy for post-employment shareholding	The vesting of the LTIP of the Executive Directors is subject to the continued employment of the applicable Executive Director with the Company during the three year vesting period
Alignment of executive directors' pension contribution to override formulaic outcomes	Not applicable as the Executive Directors do not receive a pension contribution
Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes	Performance conditions for 2020 LTIP is subject to three years vesting, additional two years of lock-up period and achievement of KPIs determined by the Remuneration Committee
Compensation commitments in directors' terms of appointment should not reward poor performance	The Executive Directors' 2020 remuneration packages contain best practice malus and clawback provisions
Remuneration policy and practices to support clarity, simplicity, risk, predictability, proportionality and alignment to culture	The updated remuneration practices support the key factors set out in the Code. The arrangements are transparent, complexities have been removed, engagement with stakeholders is promoted and structures are more proportionate and predictable
Engagement with the workforce to explain how executive remuneration aligns with wider company pay policy	Steven Baldwin, as the director dedicated to workforce engagement, meets with the workforce on a half yearly basis and the employees have the opportunity to discuss executive remuneration. In addition, employees can contact him directly to discuss remuneration at any time



The Remuneration Committee firmly believes that the changes made to the 2020 remuneration practices are a significant step forward. I do hope that shareholders can remain confident that the Committee will continue to evaluate the success of the remuneration arrangements to ensure that they appropriately reward strong performance and enable the recruitment and retention of key individuals to drive further success at Plus500.

A handwritten signature in dark ink, appearing to read 'Daniel King', with a stylized, cursive script.

**Daniel King**  
Chairman of the Remuneration Committee

## COMMITTEE COMPOSITION

The UK Corporate Governance Code recommends that all members of the Remuneration Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Remuneration Committee comprises of three independent Non-Executive Directors: Daniel King, Charles Fairbairn and Steven Baldwin, and is chaired by Daniel King. Details of the skills and experience of the Remuneration Committee members can be found on page 68. Details of individual attendance at meetings is set out in the Committee Attendance table.

### Committee Attendance

Remuneration Committee	Scheduled meetings eligible to attend	Scheduled meetings attended
Daniel King	3	3
Charles Fairbairn	3	3
Steven Baldwin	3	3

## COMMITTEE RESPONSIBILITIES AND ACTIVITIES

The Remuneration Committee meets not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's Chief Executive Officer, Chief Financial Officer, Managing Director, the Chairman and the other Non-Executive Directors, the Company Secretary and other senior executives determined by the Committee.

The other key activities of the Committee pursuant to the written terms of reference of the Remuneration Committee (which are available on the Company's website) are as follows:

- to review the on-going appropriateness and relevance of the Company's Remuneration Policy;
- approving and recommending to the Board and the shareholders, the total individual remuneration package of the Chairman, each Executive and Non-Executive Director, the Chief Executive Officer, Chief Financial Officer and Managing Director (including bonuses, incentive payments and share options or other share awards);
- in determining remuneration policies for the Company's senior management and/or individual remuneration packages of each Executive Director, the Chairman and other designated senior executives, are required to give regard to the relevant legal and regulatory requirements, the provisions of the Companies Law, the provisions and recommendations of the Code and associated guidance, and institutional investor expectations;
- to approve and determine the targets for any performance-related pay schemes; and
- to review the design of all share incentive plans for approval by the Board and (if required or deemed appropriate) the shareholders.

A summary of the major activities and decisions of the Committee in 2019 is set out below:

### Summary of major activities and decisions of the Committee in 2019

<b>Salary</b>	<ul style="list-style-type: none"> <li>• Executive Directors' remuneration review</li> <li>• Review and approval of Non-Executive Directors' fees</li> <li>• Review and approval of Chairman's fees</li> <li>• Review of senior management fees</li> </ul>
<b>Bonus</b>	<ul style="list-style-type: none"> <li>• Review of the performance of the Chief Executive Officer and the Executive Directors compared to the targets set and approval of annual bonus awards for 2019 based on performance targets</li> </ul>
<b>Long Term Incentive Plan</b>	<ul style="list-style-type: none"> <li>• Review of Executive Director's 2020 LTIP (including addition of KPIs)</li> <li>• Review of updated clawback and malus provisions</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Review of corporate governance reforms and determined appropriate levels of disclosure for the 2019 Directors' Remuneration Report</li> <li>• Review of AGM season remuneration report results, and investor and proxy agencies' views on remuneration</li> <li>• Review of the Committee's terms of reference in light of the UK Corporate Governance Code</li> <li>• Review of 2019 Annual Remuneration Report</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>• Review of remuneration consultant costs and appointment</li> <li>• Review of workforce remuneration policies and comparison of such policies with senior management policies</li> <li>• Review talent pipeline</li> </ul>

## REMUNERATION POLICY

During the year the Remuneration Committee has reviewed and monitored the remuneration policy. The 2019 remuneration policy operated as intended and reacted to Company's performance and quantum.

In accordance with the Companies Law, the Remuneration Committee is required to review and approve compensation guidelines for directors and executives ("Compensation Guidelines"), and recommend that the Board and shareholders adopt such guidelines. The Compensation Guidelines must be approved or ratified at least once every three years.

In 2019 the Remuneration Committee reviewed the Company's remuneration practices. It was deemed necessary to update the current Compensation Guidelines and adopt updated clawback and malus provisions. The Company amended its Compensation Guidelines for directors and executives with respect to clawback and malus and will present its recommendation for shareholders' approval in the Company's 2020 AGM.

The Company Secretary ensures that the Remuneration Committee fulfils its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK, information on Israeli market trends and compensation structures on a broader Group level.

## STAKEHOLDER ENGAGEMENT

### Employees

The Board regularly communicates with and receives feedback from the Group's employees through a variety of channels. Steven Baldwin, as the designated non-executive director dedicated to workforce engagement, meets on a half yearly basis with the workforce and at such meetings employees have the opportunity to share their views, including on executive and employee remuneration. In addition, employees can contact Steven Baldwin directly via email on matters they wish to discuss with him or the Board. Steve Baldwin also regularly communicates with employees who have connections with other stakeholders of the Company, such as customers and suppliers. Steven reports any

key messages deriving from such conversations to the Board and ensures that such messages are considered as part of the Board's decision making process. The Company is not obliged to comply with Section 172 of the UK Companies Act 2006. Plus500 holds regular employee workshops and briefings on a variety of topics and conducts round table discussions with employees.

The Company seeks to consider and act on employee feedback and is committed to ensuring that its remuneration structures are supported by its employees. The Company is also continually working to develop best practice in line with the UK Corporate Governance Code and is considering whether additional channels of employee communication are required in order to better develop employee engagement and foster stronger connections with its workforce.

### **Shareholders**

The Chairman of the Board and the chairman of the Remuneration Committee are in regular communication with shareholders of the Company on a variety of matters and are grateful for shareholders' engagement and feedback. As noted above, there were a significant number of votes cast against the 2020 remuneration packages of Asaf Elimelech and Elad Even-Chen at the Company's Extraordinary General Meeting held on 20 February 2020. Following engagement with shareholder bodies and selected shareholders throughout the process, the Board has taken into account their feedback and amended the initially proposed remuneration arrangements accordingly, which included a decrease in the amount of Long Term Incentive Plan and Share Appreciation Rights, and the addition of performance measures to the Share Appreciation Rights. The Board and the Committee are eager to address and understand shareholder concerns relating to remuneration structures and will continue to work to improve governance standards whilst at the same time ensuring that remuneration structures appropriately reward strong performance and enable the recruitment and retention of key individuals.

In an effort to address and understand shareholder concerns, the Board and the Remuneration Committee have during 2019 met and communicated with shareholder bodies and a number of shareholders. Meetings and conferences with shareholders are scheduled throughout the calendar year and others are also arranged on an ad-hoc basis. Such meetings enable the Board to maintain and strengthen its relationships with shareholders. The Board and the Committee will continue to seek shareholder engagement to understand shareholder concerns around Executive Directors' remuneration and endeavor to implement appropriate changes to alleviate shareholder concerns.





## DIRECTORS' REMUNERATION REPORT

### ANNUAL REPORT ON REMUNERATION 2019

#### INTRODUCTION

This report sets out information about the remuneration of the directors, including the Chief Executive Officer and the Chief Financial Officer of the Company, for the year ended 31 December 2019.

## AUDITED INFORMATION – DIRECTORS' REMUNERATION – 1 January 2019 to 31 December 2019

#### Single figure of remuneration

The detailed emoluments received by the Executive and Non-Executive Directors during the year ended 31 December 2019 are detailed below.

The information provided in the section and accompanying notes has been audited by Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited.

US\$000	Salary/ Fees		Benefits		Annual Bonus		Long Term Incentive Plan (LTIP)		Share Appreciation Rights		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Chairman</b>												
Penny Judd	192	120	-	-	-	-	-	-	-	-	192	120
<b>Executive Directors</b>												
Asaf Elimelech	480	327	-	-	785	4,740	51	-	665	963	1,981	6,030
Elad Even-Chen	480	327	-	-	785	4,740	51	-	665	963	1,981	6,030
Gal Haber	403	347	-	-	-	-	-	-	-	-	403	347
<b>Non-executive Directors</b>												
Charles Fairbairn	152	121	-	-	-	-	-	-	-	-	152	121
Daniel King	83	73	-	-	-	-	-	-	-	-	83	73
Steven Baldwin	83	73	-	-	-	-	-	-	-	-	83	73
<b>Total</b>	<b>1,873</b>	<b>1,388</b>	<b>-</b>	<b>-</b>	<b>1,570</b>	<b>9,480</b>	<b>102</b>	<b>-</b>	<b>1,330</b>	<b>1,926</b>	<b>4,875</b>	<b>12,794</b>



## COMMENTARY ON THE SINGLE FIGURE TABLE

### Share Appreciation Rights

Share appreciation rights are a deferred cash incentive subject to continued employment over a long-term period (two years in the case of the share appreciation rights granted at the 2019 EGM and three years in the case of the share appreciation rights granted in the 2020 EGM) and tied to the long term performance of the Company's Ordinary Shares. The share appreciation rights granted at the 2020 EGM are also subject to achievement of non-financial KPIs, as set by the Remuneration Committee. The share appreciation rights have been used by the Company very successfully since its initial flotation on the AIM in 2013 in order to remain competitive in the Israeli hi-tech market as its primary measure for staff retention. At the 2019 EGM each of Mr. Elimelech and Mr. Even-Chen were granted with a share appreciation right in the amount of NIS 2,500,000, which will vest on 31 December 2020.

### 2019 Annual Bonus

Each of Asaf Elimelech and Elad Even-Chen are entitled to an annual bonus. The 2019 annual bonus was subject to criteria relating to profitability, regulatory and operational criteria and also encompassed an element of a discretionary bonus. The 2020 annual bonus is subject to achievement of financial and non-financial KPIs

and does not include a discretionary bonus element. A summary of the 2019 / 2020 Company's bonus calculation is set out in the table on page 89.

### Pension

The Group operates various employee pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered pension funds. Directors do not receive pension contributions.

### Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is an award programme for Executive Directors designed to incentivise the creation of long-term returns for shareholders. The 2019 LTIP will vest on the third anniversary from the date of grant, January 2022, with an additional two years lock up period. Although the 2019 LTIP was not subject to performance conditions, following shareholder feedback, the Remuneration Committee have added performance KPIs to the 2020 LTIP. A summary of the 2019 LTIP and 2020 LTIP are set out in the table below.

Further details in relation to these arrangements are set out in the table on pages 89 to 90.

## Non-Founders Executive Directors' Annual Bonus Calculation

		2019 <sup>(i)</sup>	2020 <sup>(ii)</sup>	
	Criteria	Outcome	Award (USD '000)	Shareholders Approved
Annual Bonus	Financial Bonus	Profitability bonus capped at 240% of annual service fee (NIS 4,080,000) - calculated as 0.7% of (2019 EBITDA-\$200m).  33.33% is subject to deferral	Did not meet the profitability bonus requirements  -	Financial KPIs: Up to 60% (NIS 4,080,000) payable subject to achievement of an EPS growth rate set by the Remuneration Committee and calculated on a linear basis (which will be retrospectively disclosed within the 2020 annual audited accounts)  33.33% is subject to deferral
	Non-Financial Bonus	Regulatory/Operational bonus capped at 160% of annual service fee (NIS 2,720,000) - new licences up to NIS 620,000; regulatory compliance up to NIS 1,200,000; personal and operational goals up to NIS 900,000.  33.33% is subject to deferral	New licences application and no notable breaches of regulatory licences in any subsidiary  785	Non-Financial KPIs: Up to 40% (NIS 2,720,000) payable subject to achievement of three non-financial KPIs: strategic (1/3), risk (1/3) and operational (1/3), as set by the Remuneration Committee (which will be retrospectively disclosed within the 2020 annual audited accounts)  33.33% is subject to deferral
	Discretionary Bonus	The discretion of the Remuneration Committee, based only on exceptional events	No grant of discretionary bonus  -	No Discretionary Bonus
Share Appreciation Rights <sup>(iii)</sup>	Grant of NIS 2,500,000 of SARs at a base reference price of 1,349.80 pence, with a maximum payout amount of NIS 10,000,000 which will vest after two years from the date of grant in December 2018		-	665 <sup>(iv)</sup>  Grant of NIS 2,500,000 of SARs at a base reference price of 798 pence, with payout capped at NIS 7,500,000, which will vest after three years from the date of grant in December 2019  Subject to achievement of operational KPIs, as set by the Remuneration Committee (which will be retrospectively disclosed within the annual audited accounts in the applicable years)

2019 <sup>(i)</sup>		2020 <sup>(ii)</sup>	
Criteria	Outcome	Award (USD '000)	Shareholders Approved
LTIP	NIS 1,000,000 of Ordinary Shares at reference date of 1 January 2019 (adjusted for dividends). Vesting date is January 2022, subject to a further two year lock-up		<p>NIS 1,000,000 of Ordinary Shares, at reference date of 1 January 2020 (adjusted for dividends). Vesting date is January 2023, subject to a further two year lock-up and subject to achieving the following KPIs (each of which will be retrospectively disclosed within the 2020 annual audited accounts)</p> <ol style="list-style-type: none"> <li>1. TSR KPI: Up to 40% (NIS 400,000) subject to achieving the three year FTSE 250 TSR target set by the Remuneration Committee and calculated on a linear basis, with 30% payable upon achievement of median TSR for FTSE 250 and 100% payable upon achievement of upper quartile TSR for FTSE 250</li> <li>2. EPS KPI: Up to 40% (NIS 400,000) subject to achieving the three year compounded annual EPS growth rate set by the Remuneration Committee and calculated on a linear basis, with 30% payable upon achievement of 5% compounded annual EPS growth rate and 100% payable upon achievement of 12% compounded annual EPS growth rate</li> <li>3. HR KPI: Up to 20% (NIS 200,000) subject to achieving HR criteria related to churn and growth of R&amp;D team, as set by the Remuneration Committee</li> </ol>
<b>Total</b>		1,446	

- (i) Further details are provided in the notes to the January 2019 EGM which are available at the Company's website
- (ii) Further details are provided in the notes to the February 2020 EGM which are available at the Company's website
- (iii) The entitlement for Share Appreciation Rights only matures following completion of two years of employment from the grant date, and with respect to 2020 Share Appreciation Rights, following completion of three years of employment from the grant date
- (iv) The award granted is with respect to Share Appreciation Rights granted to the Non-Founder Executives in December 2017 and were fully vested in December 2019



## 2020 NON-FOUNDER EXECUTIVE DIRECTORS REMUNERATION

The Remuneration Committee has continued its efforts to modify the remuneration arrangements of the Executive Directors to better align executive compensation with UK governance standards followed by Main Market-listed companies and move further towards a structure in line with investor expectations and developments in best practice. The Company issued its 2020 EGM notice following consultation with KPMG LLC and with shareholder bodies and selected shareholders.

Having considered the feedback received from shareholder bodies and selected shareholders following the release of the 2020 EGM Notice, the Company reduced the suggested remuneration payable under the 2020 LTIP and share appreciation rights, added KPIs to the share appreciation rights awards and reduced the cap on the potential share appreciation rights payout. The amended remuneration arrangements were approved by the shareholders at the EGM held on February 2020.

Although the revised remuneration packages were approved at the 2020 EGM, given the number of votes (35%) cast against the 2020 remuneration of Asaf Elimelech and Elad Even-Chen, this is an area which the Committee is continuing to review and seek shareholder and employee feedback on. The Committee fully recognises that further work is required in the area to align remuneration with shareholder expectations.

### 2020 ANNUAL BONUS

The 2020 annual bonus has an aggregate value of up to 400% of the service contract fee, subject to achievement of the following KPIs:

- Financial KPIs: Up to 60% payable subject to achievement of an EPS growth rate set by the Remuneration Committee and calculated on a linear basis;
- Non-Financial KPIs: Up to 40% payable subject to achievement of the following non-financial KPIs: strategic (1/3), operational (1/3) and risk (1/3) as set by the Remuneration Committee.

The award of discretionary bonus has been removed from 2020 remuneration package, in order to align the remuneration structure to the new UK Corporate Governance Code.

The Remuneration Committee recognises that the bonus opportunity as a percentage of the service fee may appear significant. However, given the relatively low fixed pay, which is below the lower quartile for comparably sized UK companies and FTSE 250 companies, the overall bonus quantum is in line with the Company's closest competitors.

In line with the Company's historical practices and in order to remain competitive in the Israeli high-tech market as its primary measure of staff retention, the payment of deferred bonus amounts shall be accelerated in the event of a change of control of the Company in accordance with the terms of the Executive Directors' service contracts.

### 2020 LONG TERM INCENTIVE PLAN

Following shareholder feedback, the Remuneration Committee introduced the following new performance conditions into the 2020 LTIP:

- TSR KPI: Up to 40% subject to achieving the three year FTSE 250 TSR target set by the Remuneration Committee and calculated on a linear basis, with 30% payable upon achievement of a median TSR for FTSE 250 and 100% payable upon achievement of upper quartile TSR for FTSE 250;
- EPS KPI: Up to 40% subject to achieving the three year compounded annual EPS growth rate set by the Remuneration Committee and calculated on a linear basis, with 30% payable upon achievement of 5% compounded annual EPS growth rate and 100% payable upon achievement of 12% compounded annual EPS growth rate;
- HR KPI: Up to 20% subject to achieving HR criteria related to churn and growth of R&D team, as set by the Remuneration Committee.

### SHARE APPRECIATION RIGHTS

Following shareholder feedback, the Remuneration Committee added operational KPIs which will be disclosed within the annual audited accounts in the applicable years.

## CLAWBACK AND MALUS PROVISIONS

The Executive Directors' 2020 remuneration packages are subject to clawback and malus provisions authorising the Remuneration Committee to reduce any payout due (including, for the avoidance of doubt, to nil) in the event:

- of discovery of a material misstatement in the audited consolidated accounts of the Company (which includes the Company's subsidiaries) resulting in a restatement of such accounts; and/or
- it is determined that the assessment of the payout was based on error, or inaccurate or misleading information; and/or
- action or conduct of a participant, which, in the reasonable opinion of the Committee, amounts to fraud or material dishonesty or leads to employment termination for serious misconduct; and/or
- the Company or a subsidiary of the Company suffers a material failure of risk management, provided that the participant's fraud or material dishonesty or gross negligence significantly contributed to such material failure of risk management.

In any of the events listed above, the Committee may also:

- require the participant to pay to the Company an amount equal to some or all of the payout; and/or
- reduce the amount of any future bonus payable to the participant; and/or
- reduce or cancel any awards under any other Company equity or cash incentive plan, that have not yet been satisfied.

## FURTHER INFORMATION ON 2019 REMUNERATION

### Directors' shareholdings and share plan interests

Summary of all directors' shareholdings and share plan interests as at 31 December 2019<sup>1</sup>

Outstanding scheme interests 31/12/19			Actual shares held		Total of all share scheme interests and shareholdings at 31/12/19 <sup>3</sup>
	Unvested scheme interests <sup>2</sup>	Total shares subject to outstanding scheme interests	As at 1 January 2019	As at 31 December 2019	
Executive Directors					
Gal Haber	-	-	1,805,457	1,805,457	1,805,457
Asaf Elimelech	16,092	16,092	-	30,460	46,552
Elad Even-Chen	16,092	16,092	-	30,460	46,552
Non-Executive Directors					
Penny Judd <sup>4</sup>	-	-	25,691	25,691	25,691
Charles Fairbairn	-	-	40,000	55,000	55,000
Daniel King	-	-	27,169	27,169	27,169
Steven Baldwin	-	-	-	-	-

Notes:

1 Save as disclosed above, none of the directors has any interest in the share capital of the Company or of any of its subsidiaries nor persons connected to the directors (within the meaning of s.252 of the Companies Act) have any such interest, whether beneficial or non-beneficial.

2 2019 LTIP awards that have not vested

3 All share plan interests together with any holdings of Ordinary Shares

4 The shares are registered in the name of Penny Judd's spouse, Julian Judd

## **DIRECTORS' SERVICE CONTRACTS AND NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT**

### **Executive Directors – Service Contracts**

Each of the Executive Directors provides their services to the Company pursuant to a service contract. The terms of their service contracts are summarised below.

#### **Gal Haber – Managing Director**

The services of Gal Haber are provided to the Company pursuant to a service contract entered into by the Company with Wavesoft Ltd. In addition, Gal Haber has entered into an appointment letter with the Company. Wavesoft is also entitled to participate in a bonus scheme on terms decided by the Committee.

#### **Asaf Elimelech – Chief Executive Officer**

The services of Asaf Elimelech are provided to the Company pursuant to a service contract entered into by the Company with Asaf Elimelech Consultation and Regulatory Services Ltd.

#### **Elad Even-Chen - Chief Financial Officer**

The services of Elad Even-Chen are provided to the Company pursuant to a service contract entered into by the Company with Elad Even-Chen Consulting Services Ltd.

## **NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT**

On their initial appointment, each of the Non-Executive Directors signed a letter of appointment with the Company, for an initial period of three years.

The letters of appointment of Penny Judd and Steven Baldwin as Non-Executive Directors require them to retire and be subject to re-election at each Annual General Meeting in accordance with Provision 18 of the UK Corporate Governance Code. The amendments have been drafted such that renewed appointment will not necessitate a new letter of appointment. The appointments of Penny Judd and Steven Baldwin can be terminated on two months' notice by either the Company or the Non-Executive Director.

As required under, and subject to the Companies Law, the appointments of Charles Fairbairn and Daniel King as External Directors are for a period of three years from

the date of appointment (which may be extended for two more three year terms). Charles Fairbairn and Daniel King were re-elected for a further three year term effective from the 2019 Annual General Meeting.

Each Non-Executive Director is expected to commit to a minimum of 24 days per year in fulfilling their duties as a director of the Company.

Other than the External Directors, there are no existing or proposed service contracts or consultancy agreements between any of the directors and the Company which cannot be terminated by the Company within twelve months without payment of compensation.

Copies of the directors' letters of appointment and service agreements are available for inspection at the Company's registered office. The Chairman of the Company does not receive any fees for acting as Chairman other than the fees as a Non- Executive Director.

The Chairman and Non-Executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement.

In addition, there are more stringent regulations around the exact roles of Non-Executive Directors. The Audit and Remuneration Committee Chairmen must be External Directors who once appointed serve for three years but are then restricted from becoming the Chairman or holding any paid role at the Company for two years after they leave the Board.

## **EXTERNAL BOARD APPOINTMENTS**

Where Board approval is given for an Executive Director to accept an outside non-executive directorship, the individual is entitled to retain any fees received. The Board assesses and confirms that such appointment will not have any material impact on the performance of the director, and do not affect the director's commitments and duties as director of the Company.

Steven Baldwin is currently a non-executive director of TruFin Plc and The Edinburgh Investment Trust Plc.

Penny Judd is currently a non-executive director of TruFin Plc, Alpha Financial Markets Consulting Plc and Team17 Group Plc.

## ADVISORS

The Committee appointed KPMG LLC as remuneration consultants (non-audit services). KPMG LLC provided remuneration assistance with the transition to a more UK corporate governance compliant structure after the move to the Main Market and advice in relation to compliance with the UK Corporate Governance Code. Their advice linked Executive remuneration, Non-Executive remuneration and recent shareholder guidance, with similar companies and market developments. KPMG LLC is a member of

the Remuneration Consultants' Group, and as such chooses to operate pursuant to a code of conduct that requires remuneration advice to be given objectively and independently. KPMG Ltd. is the auditor of Plus500CY Ltd., it is a different and separate entity from KPMG LLC that provided the remuneration consultant, KPMG LLC has no connection to the Company or individual directors. As such, the Committee is satisfied that the advice provided by KPMG LLC in relation to remuneration matters is objective and independent.

## STATEMENT OF VOTING AT 2019 EXTRAORDINARY GENERAL MEETING

The table below shows votes cast by proxy at the EGM held on 21 January 2019 in respect of the directors' remuneration.

### Statement of voting on remuneration

	Votes for number of shares and percentage of shares voted	Votes against number of shares and percentage of shares voted	Votes withheld number of shares
Increase in fees payable to Penny Judd	76,273,101 98.67%	1,031,055 1.33%	6,000
Increase in fees payable to Charles Fairbairn	76,273,101 98.67%	1,031,055 1.33%	6,000
Increase in fees payable to Steven Baldwin	77,213,529 99.89%	87,572 0.11%	9,055
Increase in fees payable to Daniel King	77,213,529 99.89%	87,572 0.11%	9,055
Increase to service fees to Wavesoft Ltd for Gal Haber's Services	76,336,929 98.75%	964,172 1.25%	9,055
Remuneration terms for Asaf Elimelech	39,723,986 52.45%	36,014,411 47.55%	1,571,759
Remuneration terms for Elad Even-Chen	39,473,053 52.12%	36,265,344 47.88%	1,571,759



## PAYMENTS TO PAST DIRECTORS

During the year, no director has departed from the Board and therefore there were no payments to directors who departed in 2019.

## PAYMENTS FOR LOSS OF OFFICE

There were no payments for loss of office to past directors in 2019.

## MOST HIGHLY REMUNERATED EXECUTIVES IN 2019

The table below shows the remuneration of the Company's five most highly compensated executives in 2019 (including two of its Executive Directors).

2019 Fees (\$)		
1	Asaf Elimelech	1,980,988
2	Elad Even-Chen	1,980,988
3	David Zruia	1,100,632
4	Nir Zatz	809,411
5	Ari Shotland	750,603

This report has been approved by the Board of Directors of Plus500 Limited.

Signed on behalf of the Board.



**Daniel King**

Chairman of the Remuneration Committee  
6 April 2020

# DIRECTORS' REPORT

The directors of Plus500 present their report for the year ended 31 December 2019.

The directors believe that the requisite components of this report are set out elsewhere in this Annual Report and/ or on the Company's website ([www.plus500.com](http://www.plus500.com)). The table below sets out where the necessary disclosure can be found.

Directors	Directors that have served during the year and summaries of the current director's key skills and experience are set out on pages 53 to 56 and on page 68.
Results and dividends	Results for the year ended 31 December 2019 are set out in the financial review on pages 29 to 32 and the Consolidated Statement of Comprehensive Income on page 110. Information regarding the proposed final dividend can be found in the financial review on page 31. Dividend payments made during the year ended 31 December 2019 can be found in the notes to the Consolidated Financial Statements on page 128.
Articles of Association	The Company's full Articles of Association can be found on the Company's website at <a href="https://www.plus500.co.uk/Investors/ConstitutionalDocuments">https://www.plus500.co.uk/Investors/ConstitutionalDocuments</a> . Any amendments made to the Articles of Association may be made by a special resolution of shareholders.
Share Capital	Details of the Company's share capital are set out in note 20 to the Consolidated Financial Statements on page 133. At the close of business on 3 April 2020, the Company had 107,006,952 Ordinary Shares in issue, and additional 7,881,425 Ordinary Shares are held in treasury by the Company.
Authority to purchase own shares	The Company has authority to purchase its own shares and a further authority will be sought at the upcoming Annual General Meeting.
Directors' interests	Details of the directors' beneficial interests are set out in the Remuneration Report on page 93.
Directors' indemnities	The Company has given indemnities to each of the directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in their indemnification agreements and remain in place at the date of this report.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually and the last renewal was carried out in October 2019.
Major interests in shares	Notifiable major shares interests of which the Company has been made aware are set out on page 63 of the Governance Report.
Political contributions	The Company did not make any donations to political organisations during the year.
Diversity policy	In December 2019 the Company reapproved and published on its website its policy on diversity <a href="https://cdn.plus500.com/media/Investors/Docs/EqualityAndDiversityPolicy.pdf">https://cdn.plus500.com/media/Investors/Docs/EqualityAndDiversityPolicy.pdf</a>

Financial risk	Details of the Company's policies on financial risk management and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 22 to the Consolidated Financial Statements.
Activities in research and development	Details about the Company's future developments can be found in the Strategic Report on pages 25 to 26.
Auditors	A resolution to reappoint Kesselman & Kesselman, a member firm of PricewaterhouseCoopers International Limited as external auditors will be proposed at the 2020 Annual General Meeting.
Post balance sheet events	There have been no post balance sheet events.
Audit information	<p>Each of the directors at the date of the approval of this report confirms that:</p> <ul style="list-style-type: none"> <li>• so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and</li> <li>• he/she has taken all the reasonable steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.</li> </ul>

#### Listing Rule 9.8.4R disclosures

The table below sets out where disclosures required in compliance with Listing Rule 9.8.4R are located.

	Page		Page
Interest capitalised and tax relief	n/a	Parent company participation in a placing by a listed subsidiary	n/a
Publication of unaudited financial information	n/a	Contracts of significance	n/a
Details of long term incentive schemes	87-92	Provision of services by a controlling shareholder	n/a
Waiver of emoluments by a director	n/a	Agreements with controlling shareholders	n/a
Waiver of future emoluments by a director	n/a	Shareholder waivers of dividends	n/a
Non pre-emptive issues of equity for cash	n/a	Shareholder waivers of future dividends	n/a
Non pre-emptive issues of equity for cash by major subsidiary undertakings	n/a		

The Directors' Report has been approved by the Board of Directors of Plus500 Limited.

Signed on behalf of the Board



**Elad Even-Chen**  
**Chief Financial Officer**

6 April 2020

## 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 (the "Takeover Code") 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% or more of the shares or the right to appoint 25% 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% of the shares voted on the matter, as well as 75% 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% or more of the voting rights in the company. This rule does not apply if there is already another holder of at least 25% 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% of the voting rights in the company, if there is no other shareholder of the company who holds more than 45% 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% 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% of the voting power attached to the company's outstanding shares will be acquired by the offeror and the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

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

## **ISRAEL COMPANIES LAW - FULL TENDER OFFER**

Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90% 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% 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% 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% or 98%, as applicable, of the company's shares or class of shares, the purchaser may not own more than 90% 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 below), 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.



# DIRECTORS' RESPONSIBILITY STATEMENT

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The directors are responsible for preparing the annual report and the Consolidated Financial Statements in accordance with applicable law and regulations. The Companies Law requires the directors to prepare Consolidated Financial Statements for each financial year. Under that law the directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS"). The directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Comprehensive Income of the Group for that period. The directors considered the information provided in the Annual Report and how it assists the Company's shareholders in understanding the Group's position, performance business model and strategy.

In preparing these Consolidated Financial Statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group;
- Present information, including accounting policies, in a manner that provide relevant, reliable, consistent and understandable information;
- Make judgements and accounting estimates that are reasonable;
- State whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the Consolidated 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 Group's financial position and financial performance;
- Prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated Financial Statements comply with applicable law.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

Each of the directors confirms that, to the best of each person's knowledge and belief:

- The Group's Consolidated Financial Statements, which have been prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

The directors are also responsible for preparing the Directors' Report, Strategic Report, Corporate Governance Report and the Directors' Remuneration Report.

Signed on behalf of the Board



**Asaf Elimelech**  
Chief Executive Officer  
6 April 2020





*Plus500 Limited*

# FINANCIAL STATEMENTS



## TABLE OF CONTENTS

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	Page
<b>INDEPENDENT REPORT OF THE AUDITORS</b>	105-109
<b>CONSOLIDATED FINANCIAL STATEMENTS IN U.S. DOLLARS (\$):</b>	
Consolidated Statement of Comprehensive Income	110
Consolidated Statement of Financial Position	111-112
Consolidated Statement of Changes in Equity	113
Consolidated Statement of Cash Flows	114
Notes to the Consolidated Financial Statements	115-139

To the shareholders of Plus500 Ltd.

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinion

In our opinion, the consolidated financial statements *present fairly, in all material respects* the consolidated financial position of Plus500 Ltd. (the "Company") and its subsidiaries (the "Group") as at 31 December 2019 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* that is relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



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## KEY AUDIT MATTER

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## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

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### **Revenue recognition**

The Group has developed and operates an online and mobile trading platform for trading Contracts for Difference – CFDs.

The Group generates its trading income from Customer Income, which includes revenue from customer spreads and overnight charges, and Customer Trading Performance, which includes gains/losses on customers' trading positions.

The computation of revenue is carried out automatically by using its own developed platform which is an internal IT system (the "Platform").

The revenue is calculated based on several parameters. Part of the parameters that feed into that calculations are received from external quotation suppliers and others depend on internally developed program code within the Platform.

The revenue depends on a combination of the effective operation and accuracy of controls over, and access rights to, the Platform.

Our audit predominantly focused on the Group's control environment, including the IT environment. We tested key controls over the revenue process, from the acceptance of a new customer, through the trading activity to the revenue that is recorded in the Company's general ledger.

We tested the operating effectiveness of IT general controls, including: access to programs and supporting data, program changes and computer operations for the Platform and for the ERP system. In addition, we tested program development controls over the ERP system.

We also tested, through a combination of controls and substantive testing techniques, the following:

- Profit/loss calculations in respect of closed positions;
- Calculation of the fair value adjustment of year-end positions held by clients and the calculation of the "open positions" report produced by the Platform;
- Appropriate use of feeds the Group receives from its data suppliers to confirm the integrity of the feeds used to calculate the open/ close position; and
- Controls associated with cash reconciliations and reconciliations with external counterparties throughout the year including client deposits/ withdrawals.

We agreed cash accounts of client deposits to external third party evidence at the year-end by receiving independent confirmations from banks and other third party providers. In addition we tested the interface between the data of client money as presented in the Platform to the general ledger to ensure completeness and accuracy.

Finally, to address the risk that fraudulent adjustments or transactions had been entered into the trading systems, we read client activity reports and read a sample of client complaints.

No material issues noted.

## GOING CONCERN

We have reviewed the directors' statement relating to Going Concern as if the Company was a UK incorporated premium listed entity. We have nothing to report having performed our review.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information in the Annual Report and Accounts (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Listing Rules of the United Kingdom Financial Conduct Authority (FCA) require us also to report, or we are voluntarily reporting, on certain matters as described below.

## THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP

We have reviewed of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group as if the Company was a UK incorporated premium listed entity. Our review was substantially less in scope than an audit and only

consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code issued in July 2018 (the "Code"); and considering whether the statements are consistent with the knowledge acquired by us in performing our audit. We have nothing to report having performed our review.

## UK CORPORATE GOVERNANCE CODE

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules of the FCA, for review by the auditors.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that

a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Maya Ben Shmuel.

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



**Maya Ben Shmuel**  
**Partner**  
**Tel Aviv, Israel**  
**6 April 2020**

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*Kesselman & Kesselman, Trade Tower, 25 Hamered Street, Tel-Aviv 6812508, Israel, P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, [www.pwc.com/il](http://www.pwc.com/il)*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

U.S. dollars in millions	Note	2019	2018
<b>TRADING INCOME</b>	3	354.5	720.4
Selling and marketing expenses	4	138.9	175.9
Administrative and general expenses	5	25.5	39.2
<b>OPERATING PROFIT</b>		190.1	505.3
Financial income		6.7	6.1
Financial expenses		7.5	8.4
<b>FINANCIAL EXPENSE - NET</b>		(0.8)	(2.3)
<b>PROFIT BEFORE INCOME TAX</b>		189.3	503.0
<b>INCOME TAX EXPENSE</b>	8	37.6	124.0
<b>PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR</b>		151.7	379.0
U.S. dollars			
<b>EARNINGS PER SHARE</b> (basic and diluted)	9	1.35	3.33

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



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

U.S. dollars in millions	Note	As of 31 December	
		2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	2.8	3.3
Right of use assets	18	5.3	-
Long term other receivables		1.2	1.5
<b>Total non-current assets</b>		9.3	4.8
<b>Current assets</b>			
Income tax receivable	8	2.8	0.8
Other receivables	13	11.9	12.0
Cash and cash equivalents	14	292.9	315.3
<b>Total current assets</b>		307.6	328.1
<b>TOTAL ASSETS</b>		316.9	332.9
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities (net of current maturities)	18	4.1	-
Share-based compensation	7	-	0.3
<b>Total non-current liabilities</b>		4.1	0.3
<b>Current liabilities</b>			
Share-based compensation	7	4.8	7.3
Income tax payable	8	1.8	9.9
Other payables	15	10.3	20.1
Service suppliers	16	10.0	14.3
Current maturities of lease liabilities	18	1.6	-
Trade payables – due to clients	17	0.2	0.3
<b>Total current liabilities</b>		28.7	51.9
<b>TOTAL LIABILITIES</b>		32.8	52.2

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONTINUED)

U.S. dollars in millions	Note	As of 31 December	
		2019	2018
<b>EQUITY</b>			
Ordinary shares	20	0.3	0.3
Share premium		22.2	22.2
Cost of Company's shares held by the Company	10	(57.0)	(9.8)
Retained earnings		318.6	268.0
<b>Total equity</b>		284.1	280.7
<b>TOTAL EQUITY AND LIABILITIES</b>		316.9	332.9



**Asaf Elimelech**  
Chief Executive Officer



**Elad Even-Chen**  
Group Chief Financial Officer



**Penny Judd**  
Non-Executive Director and  
Chairman

Date of approval of the consolidated financial statements by the Company's Board of Directors:  
6 April 2020.

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

Registered Company number (Israel): 514142140

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

U.S. dollars in millions	Ordinary shares	Share premium	Cost of Company's shares held by the Company	Retained Earnings	Total
<b>BALANCE AT 1 JANUARY 2018</b>	0.3	22.2	(7.5)	210.9	225.9
<b>CHANGES DURING THE YEAR ENDED 31 DECEMBER 2018</b>					
Profit and comprehensive income for the year	-	-	-	379.0	379.0
<b>TRANSACTION WITH SHAREHOLDERS</b>					
Dividend	-	-	-	(321.9)	(321.9)
Acquisition of treasury shares	-	-	(2.3)	-	(2.3)
<b>BALANCE AT 31 DECEMBER 2018</b>	0.3	22.2	(9.8)	268.0	280.7
<b>CHANGES DURING THE YEAR ENDED 31 DECEMBER 2019</b>					
Profit and comprehensive income for the year	-	-	-	151.7	151.7
<b>TRANSACTION WITH SHAREHOLDERS:</b>					
Dividend	-	-	-	(101.1)	(101.1)
Acquisition of treasury shares	-	-	(47.2)	-	(47.2)
<b>BALANCE AT 31 DECEMBER 2019</b>	0.3	22.2	(57.0)	318.6	284.1

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

U.S. dollars in millions	Year ended 31 December	
	2019	2018
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations (see Note 23)	170.1	495.0
Income tax paid, net	(47.6)	(98.4)
Interest received, net	4.8	3.8
Net cash flows provided by operating activities	127.3	400.4
<b>INVESTING ACTIVITIES</b>		
Repayment of deposits	-	0.2
Purchase of restricted deposits	-	(0.3)
Purchase of property, plant and equipment	(0.1)	(0.6)
Net cash flows used in investing activities	(0.1)	(0.7)
<b>FINANCING ACTIVITIES</b>		
Dividend paid to equity holders of the Company	(101.1)	(321.9)
Payment of principal in respect of leases liabilities	(1.8)	-
Acquisition of own shares	(47.2)	(2.3)
Net cash flows used in financing activities	(150.1)	(324.2)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(22.9)	75.5
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	315.3	241.9
<b>Gains (Losses) from exchange differences on cash and cash equivalents</b>	0.5	(2.1)
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	292.9	315.3

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

## NOTE 1 - GENERAL INFORMATION

### Information on activities

Plus500 Ltd. (hereafter – the Company) and its subsidiaries (hereafter – the Group) has developed and operates an online and mobile trading platform within the CFD sector enabling its international customer base of individual customers to trade CFDs on over 2,800 underlying financial instruments internationally. The Group currently offers CFDs referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange.

The Group's offering is available internationally with a significant market presence in the UK, Australia, the European Economic Area (EEA) and the Middle East and has customers located in more than 50 countries. The Group operates through operating subsidiaries regulated by the Financial Conduct Authority (FCA) in the UK, the Australian Securities and Investments Commission (ASIC) in Australia, the Cyprus Securities and Exchange Commission (CySEC) in Cyprus, the Israel Securities Authority (ISA) in Israel, the Financial Markets Authority (FMA) in New Zealand, the Financial Sector Conduct Authority (FSCA) in South Africa, the Monetary Authority of Singapore (MAS) in Singapore and the Financial Services Authority (FSA) in the Seychelles (Obtained in January 2020).

The Company also has a subsidiary in Bulgaria which provides operational services to the Group.

On 24 July 2013, the Company's shares were admitted to trading on AIM market of the London Stock Exchange in the Company's initial public offering ("IPO"). On 26 June 2018, the Company's shares were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange PLC's Main Market for listed securities and trading of the Company's shares on the AIM market of London Stock Exchange PLC was cancelled.

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of accounting and accounting policies

The Group's financial information as of 31 December 2019 and 2018 and for each of the two years in the period ended on 31 December 2019 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. Going concern

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

### c. 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.



## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### d. 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.

### e. Foreign currency translation

#### 1. Functional and Presentation Currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars ("USD"), which is the Group's functional and presentation currency.

#### 2. Transactions and balances

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

### f. Trading income

Trading income represents Customer Income, which includes revenue from customer spreads and overnight charges, and Customer Trading Performance, which includes gains/losses on customers' trading positions, arising on client trading activity, primarily in contracts for difference on shares, indices, ETFs, options, commodities, cryptocurrencies and foreign exchange.

Open client positions are carried at fair value and gains and losses arising on this valuation are recognised as trading income, as well as gains and losses realised on positions that have closed.

### g. Share-based compensation

The Group operates a cash- settled share-based compensation plan, under which it receives services from employees and service contractors as consideration for Share Appreciation Rights. The fair value of the employee services received in exchange for the grant of the rights are recognised as an expense in the consolidated statements of comprehensive income. At the end of each reporting period, the Group evaluates the Share Appreciation Rights based on their fair value as prorated over the period and the change in prorated fair value is recognised in the consolidated statements of comprehensive income.

### h. Treasury shares

Treasury shares are shares of the Company held by the Company. The Board approves buyback programmes. The buyback programmes are funded from the Company's net cash balances. The shares are being purchased at fair value. (see note 10 for further information).

### i. Current income tax

Tax is recognised in the consolidated statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in countries where the Company and the subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### j. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Group recognises 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 assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### k. Property, plant and equipment

The cost of a property, plant and equipment item is recognised as an asset 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 amortised by the straight-line method over the terms of the lease, 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 assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## l. Financial instruments

### 1. Classification

The Group classifies its financial assets in the following measurement categories according to IFRS 9:

- these to be measured subsequently at fair value through profit and loss, and
- these to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in the statement of comprehensive income.

### 2. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### 3. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Details on how the fair value of financial instruments is determined are disclosed in note 22.

### m. 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 subsidiary in Bulgaria, hold money on behalf of clients in accordance with the client money rules required by the relevant regulatory framework. Such monies are classified as 'segregated client funds' in accordance with the regulatory requirements. Segregated client funds comprise 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.

### n. Dividends

Dividend distribution is recognised as a liability in the Group's statement of financial position in the period

which the dividends are approved by the Group's Board of Directors.

### o. 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 recognised as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

### p. Other payables and service suppliers

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

Other payables and service suppliers are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### q. Trade payables – due to clients

As part of its business, the Group receives from its customer's deposits to secure their trading positions, held in segregated client money accounts. Assets or liabilities resulting from profits or losses on

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

open positions are carried at fair value. Amounts due from or to clients are netted against, or presented with, the deposit with the same counterparty where a legally-enforceable netting agreement is in place and where it is anticipated that assets and liabilities will be netted on settlement.

Trade payables - due to clients represent balances with clients where the combination of customer's deposits and the valuation of financial derivative open positions result in an amount payable by the Group.

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

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

**New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:**

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

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The nature and effect of these changes are disclosed below.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

U.S. dollars in millions

Operating lease commitments disclosed as at 31 December 2018	4.1
Add: adjustments as a result of a different treatment of extension and termination of lease options	2.6
<b>Lease liability recognised as at 1 January 2019</b>	<b>6.7</b>

U.S. dollars in millions

Of which are:	
Current lease liabilities	1.5
Non-Current lease liabilities	5.2
	6.7

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to office space and real estate type of assets.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2019 (continued):

##### **IFRIC 23 – Uncertainty over income tax treatments**

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 "Income Taxes" are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The uncertainty may exist until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability. IFRIC 23 provides guidance on accounting treatment for the following issues related to income tax-related uncertainties:

- how to determine the measurement unit for considering the accounting treatment, i.e. whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

The Group adopted the standard as of 1 January 2019. The adoption of IFRIC 23 did not have a material effect on the Group's consolidated financial statements.

### **Amendment to IAS 12 "Taxes on Income" (hereinafter - "the Amendment to IAS 12")**

The Amendment to IAS 12, which was issued as part of the Annual Improvements to IFRS Standards 2015–2017 cycle, clarifies that the income tax consequences of dividends are recognised when a liability to pay a dividend is recognised. The income tax consequences of dividends are recognised in profit or loss for the period, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

Prior to the Amendment to IAS 12, its provisions were relevant to situations where the tax rates on the distributed profit were different from the tax rate on undistributed profits. The Amendment clarifies that those provisions are relevant to all tax consequences of dividends.

The Amendment to IAS 12 is effective for annual reporting periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The first-time adoption of the amendment to IAS 12 did not have a material impact on the Group's consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 3 - TRADING INCOME

The Trading income attributed to geographical areas according to the location of the customer is as follows:

U.S. dollars in millions	Year ended 31 December	
	2019	2018
European Economic Area (EEA) *	150.9	384.7
United Kingdom	38.6	100.5
Australia	51.2	84.8
Rest of the World	113.8	150.4
	354.5	720.4

\* Other than the United Kingdom which is presented separately in the table above.

## NOTE 4 - SELLING AND MARKETING EXPENSES

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Payroll and related expenses	14.9	15.0
Variable Bonuses	2.2	2.9
Share-based compensation	1.9	4.3
Commission to agents	8.1	15.6
Advertising	87.5	109.8
Commissions to processing companies	15.8	20.1
Server and data feeds commissions	7.2	6.9
Third party customer support	0.4	0.5
Sundry	0.9	0.8
	138.9	175.9

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 5 - ADMINISTRATIVE AND GENERAL EXPENSES

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Payroll and related expenses	7.7	7.1
Variable Bonuses	3.0	10.1
Share-based compensation	1.8	4.6
Professional fees and regulatory fees	5.8	*6.2
Office expenses	2.8	5.0
Travelling expenses	0.5	0.8
Public company expenses	0.9	*3.1
Nonrefundable VAT	0.8	1.6
Sundry	2.2	0.7
	25.5	39.2

\*These amounts in 2018 include an aggregate amount of \$ 4.0 million which is related to the admission to the premium listing segment of the official list of the FCA (see note 1).

## NOTE 6 - AUDITORS' REMUNERATION

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Audit Plus500 Ltd's consolidated financial statements	0.2	0.2
Audit of Plus500 Ltd's subsidiaries	0.3	0.2
<b>Total audit fees</b>	0.5	0.4
Other assurance related services	0.1	*0.4
Tax compliance services	0.2	0.2
<b>Total non-audit fees</b>	0.3	0.6
<b>Total fees</b>	0.8	1.0

\* These amounts include expenses related to the admission to the premium listing segment of the official list of the FCA (see note 1).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 7 - SHARE-BASED COMPENSATION

### a. Background

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

The rights are settled in cash at the end of the period of two or three years after the date of grant for those who remain employed or continue to render services as a service contractor by the Group.

The rights represent the total amount of grant divided by the average closing price of the ordinary shares of the Company on the Main Market 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 Main Market over the course of the 60 trading days immediately preceding the end of each period (or the payout date) including dividends paid between the grant date and the end of each period (or the exercise date) divided by the average closing price of the ordinary shares of the Company on the Main Market over the course of the 60 trading days immediately preceding the end of each period, as prorated over the period.

### b. The following table specifies the dates of grants and the grant rights as of each date

Grant date	Settlement date	Share price (GBP)*	Number of rights granted	Number of employees
3 January 2016	3 January 2018	388.81	3,122	26
17 April 2016	17 April 2018	563.25	41	1
30 December 2016	30 December 2018	541.21	3,722	45
31 December 2017	31 December 2019	943.23	3,321	72
19 March 2018	19 March 2020	1,075.70	286	1
1 July 2018	1 July 2020	1,528.93	58	5
30 December 2018	30 December 2020	1,349.80	3,490	107
31 December 2019	31 December 2021	797.85	3,503	105
31 December 2019	31 December 2022	797.85	2,925	5

\* Share price in pence on grant date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 7 - SHARE-BASED COMPENSATION (continued)

### c. Share based compensation liability

U.S. dollars in millions	As at 31 December	
	2019	2018
Current liability	4.8	7.3
Non-current liability	-	0.3
	4.8	7.6

### d. Share based compensation expenses

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Selling and marketing expenses	1.9	4.3
Administrative and general expenses	1.8	4.6
	3.7	8.9

### e. Share based – number of rights outstanding

Number of rights	2019	2018
Opening balance as at 1 January	7,071	9,702
Rights granted	6,428	3,834
Rights exercised	(3,187)	(6,319)
Rights forfeited	(102)	(146)
Closing balance as at 31 December	10,210	7,071

During 2019 and 2018, 3,187 and 6,319, rights were exercised in total amount of \$4.7 million and \$12.9 million respectively. The average exercise price per granted right was approximately \$1,475 and \$2,041 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 8 - INCOME TAX EXPENSE

### a. Corporate taxation in Israel

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 was 24% in 2017 and was 23% in 2018 and thereafter.

### b. Corporate taxation in subsidiaries

Subsidiary	Principal tax rate		Tax regulation
	2019	2018	
UK	19%	19%	Tax laws in the United Kingdom
CY	12.5%	12.5%	Tax laws in Cyprus
AU	30%	30%	Tax laws in Australia

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 income taxes

The Deferred income taxes relates mainly to payroll expenses of the share-based compensation plan (see note 7). The Deferred tax assets were computed in 2019 and 2018 at tax rate of 23% and 23%, respectively and a portion for \$0.6 million will be settled in 2020.

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

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Current taxes:		
Current taxes in respect of current year's profits	37.3	124.4
	37.3	124.4
Deferred income taxes:		
Change of deferred taxes asset (See c above)	0.3	(0.4)
Taxes on income expenses	37.6	124.0



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 8 - INCOME TAX EXPENSE (continued)

### 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 8a above) and the actual tax expense:

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Income before taxes on income, as reported in the consolidated income statements	189.3	503.0
Theoretical tax expense in respect of this year's income - at 23%	43.5	115.7
Decrease in taxes resulting from different tax rates applicable to foreign subsidiaries	(2.9)	(1.2)
Increase (decrease) in taxes in respect of currency differences and expenses not deductible for tax purposes	(2.9)	4.3
Tax expenses (income) in relation to previous years	(0.1)	5.2
Taxes on income for the reported period	37.6	124.0

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

As mentioned in note 2a, the Group prepares its financial statements in accordance with IFRS. IFRS standards differ from accounting principles generally accepted in Israel and accordingly, the preparation of financial statements in accordance with IFRS may reflect a financial position, results of operations and cash flows that are materially different from those presented in financial statements presented in accordance with accounting principles generally accepted in Israel. The Company is filing to the Israeli tax authorities, its Israeli tax returns, in accordance to Israeli GAAP.

During 2014, the Government of Israel published a law memorandum in connection with the amendment to the Income Tax Ordinance (hereafter – the law memorandum) resulting from application of IFRS in the financial statements. Generally, the law memorandum adopts IFRS. However, it suggests several amendments to the Income Tax Ordinance that will serve to clarify and determine the manner of computing taxable income for tax purposes in cases where the manner of computation is unclear and IFRS is incompatible with the principles of the tax method applied in Israel. At the same time, the law memorandum generally adopts IFRS. The legislation process involving the law memorandum has not been completed, and is not likely to be completed in the near future.

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 to 2013 may be extended to cover 2014-2019 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014-2019, management expects at this stage that the new legislation will not apply to tax years preceding 2019.

Considering that the temporary provision applies to the 2007-2013 tax years and Company's assessment on the likelihood for extension to cover 2014-2019, as above, the Company computed its taxable income for 2009-2019 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 8 - INCOME TAX EXPENSE (continued)

### g. Final tax assessments

The Company has final tax assessments for the year 2016.

All of the subsidiaries have only been subject to self-assessments since their incorporation.

## NOTE 9 - 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.

	31 December	
	2019	2018
Profit attributable to equity holders of the Company (In U.S dollars)	151,657,311	379,026,541
Weighted average number of ordinary shares in issue*	112,460,599	113,895,770

\* After weighting the effect of the buyback programme. See note 10.

## NOTE 10 - ACQUISITION OF THE COMPANY'S SHARES BY THE COMPANY

The Board approves buyback programmes. The buyback programmes are funded from the Company's net cash balance.

Year ended 31 December	Number of ordinary shares that were purchased	Aggregate purchase amount (US \$ in million)	Average price of shares bought back
2018	130,963	2.3	£13.58
2019	4,746,566	47.2	£8.19

During the period starting 1 January 2020 up to the signing date of the consolidated financial statements (see note 24), the Company bought back additional 2,023,750 ordinary shares (or 1.8%) in the capital of the Company for an aggregate purchase amount of \$23.1 million pursuant to these buyback programmes. Shares were bought back at an average price of £9.01.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 11 - DIVIDEND

The amounts of dividends for the years 2019 and 2018 declared and distributed by the Company's Board of Directors are as follows:

Date of declaration	Amount of dividend US \$ in millions	Amount of dividend per share US \$	Date of payment to shareholders
14 February 2018	164.9	1.4479	23 July 2018
10 August 2018	157.0	1.3786	22 November 2018
12 February 2019	*70.2	0.6191	9 July 2019
13 August 2019	**30.9	0.2734	28 November 2019

On 12 February 2020 the Company declared a final dividend in an amount of \$40.8 million. See note 24.

\* Between the date of the dividend announcement (12 February 2019) and the record date of the dividend (22 February 2019) the number of issued and outstanding Ordinary Shares of the Company decreased by 225,000 Ordinary Shares from 113,682,268 Ordinary Shares to 113,457,268 Ordinary Shares, as a result of the repurchase by the Company of Ordinary Shares during such period and the classification of such repurchased Ordinary Shares as dormant shares that are not entitled to dividends. Accordingly, 113,457,268 Company Ordinary Shares were entitled to payment of the dividend of \$0.6191 per share on 9 July 2019, resulting in an aggregate dividend to all Company shareholders of \$70.2 million.

\*\* Between the date of the dividend announcement (13 August 2019) and the record date of the dividend (30 August 2019) the number of issued and outstanding Ordinary Shares of the Company decreased by 384,432 Ordinary Shares from 113,289,768 Ordinary Shares to 112,905,336 Ordinary Shares, as a result of the repurchase by the Company of Ordinary Shares during such period and the classification of such repurchased Ordinary Shares as dormant shares that are not entitled to dividends. Accordingly, 112,905,336 Company Ordinary Shares were entitled to payment of the dividend of \$0.2734 per share on 28 November 2019, resulting in an aggregate dividend to all Company shareholders of \$30.9 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Composition of assets, grouped by major classifications and changes therein in 2019 is as follows:

U.S. dollars in millions	Computers and office equipment	Leasehold improvements	Other	Total
<b>Cost</b>				
Balance at beginning of year	1.6	3.8	0.3	5.7
Additions	0.1	-	-	0.1
<b>Balance at end of year</b>	<b>1.7</b>	<b>3.8</b>	<b>0.3</b>	<b>5.8</b>
<b>Accumulated depreciation</b>				
Balance at beginning of year	1.3	1.0	0.1	2.4
Additions	0.1	0.5	-	0.6
<b>Balance at end of year</b>	<b>1.4</b>	<b>1.5</b>	<b>0.1</b>	<b>3.0</b>
<b>Depreciated balance as of 31 December 2019</b>	<b>0.3</b>	<b>2.3</b>	<b>0.2</b>	<b>2.8</b>
<b>Depreciated balance as of 31 December 2018</b>	<b>0.3</b>	<b>2.8</b>	<b>0.2</b>	<b>3.3</b>

## NOTE 13 - OTHER RECEIVABLES

U.S. dollars in millions	As of 31 December	
	2019	2018
Prepaid expenses	7.8	8.7
Other	4.1	3.3
	11.9	12.0

As of 31 December 2019 and 2018, the total amount of prepaid expenses includes mainly expenses related to Company's sponsorship agreement with Atlético de Madrid Football Club (see note 19).

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 14 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency of denomination:

U.S. dollars in millions	As of 31 December	
	2019	2018
USD	275.5	288.5
EURO	104.9	76.0
GBP	12.4	12.5
AUD	23.7	19.3
NIS	12.5	7.8
Other	26.5	18.1
Gross cash and cash equivalents	455.5	422.2
Less: segregated client funds	(162.6)	(106.9)
Own cash and cash equivalents	292.9	315.3

## NOTE 15 - OTHER PAYABLES

U.S. dollars in millions	As of 31 December	
	2019	2018
Payroll and related expenses	8.5	17.0
Accrued expenses	1.6	2.8
Other	0.2	0.3
	10.3	20.1

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 16 - SERVICE SUPPLIERS

Service suppliers are comprised mainly of amounts due to advertising service suppliers, their fair values approximate or are identical to their carrying amounts.

## NOTE 17 - TRADE PAYABLES - DUE TO CLIENTS

U.S. dollars in millions	As of 31 December	
	2019	2018
Customers deposits, net*	162.8	107.2
Segregated client funds	(162.6)	(106.9)
	0.2	0.3
<b>* Customers deposits, net are comprised of the following:</b>		
Customers deposits	221.1	145.2
Less- financial derivative open positions:		
Gross amount of assets	(68.3)	(46.8)
Gross amount of liabilities	10.0	8.8
	162.8	107.2

\* As of 31 December 2019, and 2018, the total amount of 'Trade payables - due to clients' includes bonuses to the clients.

## NOTE 18 - LEASES

Effective 1 January 2019, the Company adopted IFRS 16.

Under IFRS 16 all leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted:

1. Recognising an expense on a straight-line basis over the lease term (without recognising a liability and a Right of Use Asset) for operating leases with a remaining lease term of less than 12 months at 1 January 2019, and leases for which the underlying asset is of low value;
2. The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

### a. Rights-of-use assets

U.S. dollars in millions	Real estate leases	Total
<b>At 1 January 2019</b>	6.7	6.7
Additions	0.2	0.2
Amortisation	(1.6)	(1.6)
<b>At 31 December 2019</b>	5.3	5.3

### b. Lease liabilities:

U.S. dollars in millions	Real estate leases	Total
<b>At 1 January 2019</b>	6.7	6.7
Additions	0.2	0.2
Interest expense	0.3	0.3
Lease payments	(1.8)	(1.8)
Exchange differences	0.3	0.3
<b>At 31 December 2019</b>	5.7	5.7

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 19 - COMMITMENTS

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

## NOTE 20 - SHARE CAPITAL

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

	Number of shares 31 December	
	2019	2018
Authorised	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377
Less treasury shares *	(5,857,675)	(1,111,109)
Outstanding shares	109,030,702	113,777,268

\* Number of accumulated shares that were bought by the Company as part of the buyback programmes.

## NOTE 21 - RELATED PARTIES AND KEY MANAGEMENT

### a. Key management personnel definition:

The Directors and other members of management classify as "persons discharging management responsibility" in accordance with IAS 24 and the Market Abuse Regulation.

In addition the five founding shareholders are also defined as key management personnel, one of which is a Director. These shareholders provide services to the Company directly or through companies, they control.

The Directors' Remuneration Report discuss all benefits and share-based payments earned during the year and the preceding year by the Directors.

### b. Company's liability in respect of related parties and key management services (part of Other Payable)

U.S. dollars in millions	As at 31 December	
	2019	2018
Related parties and Key Management liability	5.3	14.0

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 21 - RELATED PARTIES AND KEY MANAGEMENT (continued)

### c. Expenses to related parties and key management:

U.S. dollars in millions	Year ended 31 December	
	2019	2018
Service fees (Selling and marketing expenses)	4.3	5.8
Service fees (Administrative and general expenses)	7.0	15.2
Directors fees (Administrative and general expenses)	0.6	0.8

The average number of key management personal during the year was 20 (FY 2018: 20).

On 1 January 2019 the Board of directors approved a long-term incentive plan for two Non-Founders Executive Directors'. The terms of the plan are NIS 1,000,000 of ordinary shares at reference date of 1 January 2019 (adjusted for dividends). Vesting date is January 2022, subject to a further two year lock-up.

On 20 February 2020 the Board of directors approved a long term incentive plan for two Non-Founders Executive Directors'. The terms of the plan are NIS 1,000,000 of ordinary shares, subject to KPIs, at reference date of 1 January 2020 (adjusted for dividends). Vesting date is January 2023, subject to a further two year lock-up.

## NOTE 22 - FINANCIAL RISK MANAGEMENT

The Group specialises in the field of Contracts for Differences ("CFDs") for individual clients only, primarily on commodities, indices, stocks, options, ETFs, cryptocurrencies and foreign exchange.

The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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 markets conditions and the levels of client activity. The Group utilises 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.

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.

## NOTE 22 - FINANCIAL RISK MANAGEMENT (continued)

The Group's real-time market position monitoring system is intended to allow it to continually monitor its market exposure against these limits. If exposures exceed these limits, the Group either hedges, or new client positions are rejected under the Group's policy. It is the approach of the Group to observe during the year the 'natural' hedge arising from the Group's global clients in order to reduce the Group's net market exposure.

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

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

### Daily profit on closed positions:

U.S. dollars in millions	2019	2018
Highest profit	7.6	19.4
Highest loss	(4.7)	(2.0)
Average	0.9	1.9

During the years 2019 and 2018, as to the closed positions, there were 310 and 336 profitable trading days, respectively.

### 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.

If the U.S. dollar had strengthened by 1% in respect of balances denominated in other currencies, with all other variables unchanged, the exposure on income after taxes in respect of those balances would be gain (loss) of:

As of 31 December		
U.S. dollars in millions	2019	2018
EUR	0.1	(0.4)
AUD	(0.1)	(0.3)
GBP	0.3	(0.5)

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



## NOTE 22 - FINANCIAL RISK MANAGEMENT (continued)

### b. Credit risk

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

Under the Group's policy, costumers cannot owe the Group funds when losing more than they have in their accounts, all customer accounts are pre-funded.

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

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

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

**Institutional credit risk** - The risk that financial counterparties will not meet their obligation, risking both client and the Group's assets.

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 2019 and 2018 counterparties holding of the Group's cash and cash equivalents, credit cards, client funds and deposits have credit ratings as follows:

Credit Rating*	2019	2018
AA+ to AA-	26%	15%
A+ to A-	42%	76%
BBB+ to B+	25%	-
Remaining counterparties	7%	9%

\* The financial institutions were rated by the same third party.

As of 31 December 2019, the amounts held by the remaining counterparties are held in a few banks worldwide. The balance in each of those banks does not exceed 3% (2018: 4%) of total cash and cash equivalents, credit cards, client funds and deposits.

The Group's largest credit exposure to any single bank as of 31 December 2019 was \$79.9 million or 18% of the exposure to all banks (2018: \$118.0 million or 28%).

### 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.

## NOTE 22 - FINANCIAL RISK MANAGEMENT (continued)

### 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 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. Plus500UK

The UK Subsidiary is regulated by the FCA. The UK Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter - Pillar 2). The UK Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the FCA. Both Pillar 1 and Pillar 2 assessments are compared with total available regulatory capital on a daily basis

and monitored by the management of the Group. As of 31 December 2019 and 2018, the UK Subsidiary had £35.1 million and £33.3 million, 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. Plus500CY

The CY Subsidiary is regulated by CySEC. The CY Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter - Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter - Pillar 2). The CY Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the CySEC.

The CY Subsidiary monitors on a frequent basis its Pillar 1 capital requirements and ensures that its capital position remains always above the minimum regulatory thresholds. As of 31 December 2019 and 2018, the regulatory capital of the CY Subsidiary was €71.7 million and €56.5 million, respectively, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

As of 31 December 2019 and 2018, Pillar 1 Capital Adequacy ratio was 31.2% and 40.4% respectively. Moreover, the Group is evaluating its overall risk profile and capital position through its internal capital adequacy assessment process, which is performed at least on an annual basis.

#### 3. Plus500AU

The AU Subsidiary is regulated by ASIC, FMA and FSCA. The AU Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital

## NOTE 22 - FINANCIAL RISK MANAGEMENT (continued)

required to support all material risks. The AU Subsidiary manages its capital through Net Tangible Assets (NTA) assessment in accordance with rules and guidelines implemented by ASIC and FMA, and Capital Liquidity assessment in accordance with rules and guidelines implemented by FSCA.

As at 31 December 2019 and 2018, the AU Subsidiary held Net Tangible Assets of AUD 21.1 million and AUD 16.3 million respectively, of regulatory capital, which is in excess of the requirement from ASIC, FMA and FSCA.

### 4. Plus500SG

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

As at 31 December 2019 and 2018, the SG Subsidiary held regulated capital of SGD 7.2 million and SGD 7.1 million, respectively, of regulatory capital, which is in excess of its MAS requirements.

### 5. Plus500IL

The IL Subsidiary is regulated by the 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 2019 and 2018, the IL Subsidiary held regulated capital of \$8.0 million and \$3.5 million, respectively, of regulatory capital, which is in excess of its ISA requirements.

### f. Other business risks

The Group's business is subject to various laws and regulations in different countries according to its activity and other countries from where the Group operates. Any regulatory action, tax or legal challenge against the Group for non-compliance with any regulatory or legal requirement could result in significant fines, penalties, or other enforcement actions, increased costs of doing business through adverse judgement or settlement, reputational harm, the diversion of significant amounts of management time and operational resources, and could require changes in compliance requirements or limits on the Group's ability to expand its product offerings, or otherwise harm or have a material adverse effect on the Group's business.

### g. Fair value estimation

Financial derivative open positions (offset from, or presented with, deposits from clients within 'Trade payable - due to clients') (see also note 17) 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 maximise 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 (trading spread).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 23 - CASH GENERATED FROM OPERATIONS

U.S. dollars in millions	Year ended 31 December	
	2019	2018
<b>Cash generated from operations activities</b>		
Net income for the period	151.7	379.0
<b>Adjustments required to reflect the cash flows from operating activities:</b>		
Depreciation and amortisation	0.6	0.7
Amortisation of right of use assets	1.6	-
Liability for share-based compensation	3.7	8.9
Settlement of share-based compensation	(7.5)	(5.5)
Taxes on income	37.6	124.0
Interest expenses in respect of leases	0.3	-
Exchange differences in respect of leases	0.3	-
Interest income	(4.8)	(4.2)
Foreign exchange losses (gains) on operating activities	(0.3)	0.5
	31.5	124.4
<b>Operating changes in working capital:</b>		
Decrease (increase) in other receivables	0.1	(3.9)
Decrease in trade payables due to clients	(0.1)	(4.2)
Increase (decrease) in other payables	(8.8)	8.0
Decrease in Service suppliers	(4.3)	(8.3)
	(13.1)	(8.4)
<b>Cash flows from operating activities</b>	<b>170.1</b>	<b>495.0</b>

## NOTE 24 - SUBSEQUENT EVENTS

Following the year end, in January 2020, a new licence was granted to the Group by the Financial Services Authority in the Seychelles.

On 12 February 2020 the Company declared a final dividend in an amount of \$40.8 million (\$0.3767 per share). The dividend is due to be paid to the shareholders on 13 July 2020.

On 12 February 2020, the Board has resolved in principle to conduct a new share buyback programme to buy back an amount of up to \$30.0 million of the Company's Ordinary Shares.

During the year 2020 up to the signing date of the consolidated financial statements for the year ended 31 December 2019, Company has continued to purchase its own shares under the buyback programme. See note 10.







*Plus500 Limited*

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## FURTHER INFORMATION

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