Plus500

World's Trading Machine

Prospectus June 2018

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult immediately a person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**") who specialises in advising on the acquisition of shares and other securities. The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice. Prospective investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by Plus500 Ltd (the "**Company**").

This document comprises a prospectus (the "**Prospectus**") relating to the Company prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made under s.73A FSMA. This Prospectus has been approved by the FCA in accordance with s.87A FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules. This Prospectus has been prepared in connection with the admission of ordinary shares of NIS 0.01 each in the Company (the "**Ordinary Shares**") to the premium listing segment of the Official List maintained by the FCA (the "**Official List**") and to trading on the London Stock Exchange's main market for listed securities (the "**Main Market**").

The Ordinary Shares are currently admitted to trading on AIM. Application has been made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on the Main Market ("**Admission**"). Admission to trading on the Main Market constitutes admission to trading on a regulated market. It is expected that Admission will become effective at 8.00 a.m. on 26 June 2018. **No application has been or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.**

Prospective investors should read the whole of this Prospectus. In particular, your attention is drawn to the "Risk Factors" section of this Prospectus for a description of certain important factors, risks and uncertainties that might affect the value of your shareholding in the Company.

Plus500 Ltd.

(Incorporated under the Companies Law in the State of Israel with registered number 514142140)

Admission to the premium listing segment of the Official List and to trading on the Main Market of the London Stock Exchange

Liberum Capital Limited

Sponsor and Financial Advisor

The Company is not offering any Ordinary Shares nor any other securities in connection with Admission. This Prospectus does not constitute an offer of, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction. The Ordinary Shares will not be generally made available or marketed to the public in the UK or any other jurisdiction in connection with Admission.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities laws or with any securities regulatory authority of any state or other jurisdiction of the United States or of any province or territory of Australia, Canada, the Republic of South Africa, Japan or Israel. The Ordinary Shares have not been and will not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the United States (as defined in Regulation S under the Securities Act) and this Prospectus does not constitute an offer to sell or a solicitation of an offer to purchase or subscribe for Ordinary Shares in any jurisdiction.

The distribution of this Prospectus in jurisdictions other than the United Kingdom may be restricted by law. No action has been or will be taken by the Company, the directors of the Company (the "**Directors**") or Liberum Capital Limited ("**Liberum**") to permit possession or distribution of this Prospectus in any jurisdiction, other than in the United Kingdom. Persons into whose possession this Prospectus comes are required by the Company, the Directors and Liberum to inform themselves about and to observe any such restrictions.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, no such information or representation may be relied upon for any purpose. In particular, the contents of the websites of members of the Group do not form part of this Prospectus and prospective investors should not rely on them. The Company will comply with its obligations to publish a supplementary prospectus pursuant to s.87G FSMA and Rule 3.4 of the Prospectus Rules containing further updated information required by law or by any regulatory authority but, except as required by the Listing Rules, the Prospectus Rules and/or the Disclosure Rules and Transparency Rules of the FCA or any other applicable law, assumes no further obligation to publish additional information. Without prejudice to the Company's legal or regulatory obligations to publish a supplementary prospectus, neither the delivery of this Prospectus nor Admission shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information is correct as of any time subsequent to the date of this Prospectus.

Liberum, which is authorised and regulated in the United Kingdom by the FCA, is acting as Sponsor exclusively for the Company and no-one else in connection with the contents of the Prospectus or any other matters referred to in this Prospectus and will not be responsible to anyone, whether or not a recipient of this Prospectus, other than the Company for providing the protections afforded to its customers, nor for providing advice or otherwise in relation to the contents of this Prospectus or any matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Liberum by FSMA or the regulatory regime established thereunder, Liberum does not accept any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Group and Admission. Liberum accordingly disclaims to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

The Directors, whose names appear on page 49 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

The date of this Prospectus is 20 June 2018.

CONTENTS

PART I

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". The Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of these types of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and warnings

A.1	Introduction and warnings	This summary should be read as an introduction to this Prospectus only. Any decision to invest in Ordinary Shares should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer

B.1	Legal and commercial name	The Company's legal and commercial name is Plus500 Ltd.
B.2	Domicile and legal form, applicable legislation and country of incorporation	The Company was incorporated and registered in the State of Israel with registered number 514142140 on 26 May 2008 as a private limited liability company under the name Investsoft Ltd. On 18 June 2012, the Company changed its name to Plus500 Ltd. The principal legislation under which the Company operates is the Companies Law and the regulations made thereunder.
B.3	Current operations, principal activities and markets	The Group has developed and operates an online and mobile trading platform within the CFD sector enabling its international customer base of retail customers to trade CFDs on over 2,200 underlying financial instruments internationally. The Group currently offers CFDs referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange.

		CFDs are derivative products which allow customers to trade financial instruments without owning the underlying securities or assets. A CFD is a contract between two parties linked to the movement of the price of an underlying financial instrument or other asset. The Group only offers the ability to trade in CFDs linked to liquid underlying instruments, in line with what the Directors believe is a robust risk management policy. The Group's offering is available internationally with a significant market presence in the UK, Australia, the EEA and the Middle East and has retail customers located in more than 50 countries. The Group operates through operating subsidiaries regulated by the FCA in the UK, ASIC in Australia, the CySEC in Cyprus, the ISA in Israel, the FMA in New Zealand, the FSCA in South Africa and the MAS and Enterprise Singapore (formerly know as International Enterprise Singapore) in Singapore. In the year ended 31 December 2017, the Group had 317,175 Active Customers, an increase of 103 per cent. compared to the year ended 31 December 2016. The Group generates revenue primarily from dealing spreads, accounting for 89 per cent. of revenues in the year ended 31 December 2017, with the remainder generated from overnight charges, effectively on financing charges on certain positions held overnight. The Group intends to increase its market share in the jurisdictions in which its offering is currently available and expand its geographic reach over time through entry into new jurisdictions in which it does not currently have customers and by focusing on acquiring New Customers from regulated markets, particularly those New Customers resident in Western European countries. As an international provider of CFDs, the Group competes primarily against a number of businesses including IG Group Holdings plc ("**IG**"), CMC Markets plc ("**CMC**") and Saxo Capital Markets ("**Saxo**").
B.4	Recent trends	The increasing prices and volatility of cryptocurrencies have led to a strong trading in these alternative currencies as many traders have sought to participate in the cryptocurrency market. The Group was also among the first CFD providers to offer its customers the opportunity to trade CFDs on emerging financial instruments, such as Bitcoin and has, more recently, added to its offering the opportunity to trade CFDs on cryptocurrencies such as Bitcoin Cash, Ethereum, Litecoin, NEO, Ripple and IOTA. International regulators are giving increased attention to the use and promotion of CFDs on cryptocurrencies, and regulators in a number of jurisdictions have issued statements and consumer risk warnings on the subject. For example, in November 2017, the FCA issued a consumer warning about the risks of investing in CFDs referenced to cryptocurrencies. Furthermore, on 27 March 2018, ESMA announced that it was making use of its product intervention powers to apply leverage limits of 2:1 to CFDs on cryptocurrencies for retail customers and published final rules on 1 June 2018. The ESMA announcement and the new rules are discussed further below. The industry-wide trend for trading CFDs on smartphones and tablets continues to gather pace. The Group's mobile platforms for both smartphones and tablets now account for more than 75 per cent. of revenues and signups.

		The regulatory environment continues to develop at a national and international level. The financial services industry generally, and the activities of online brokerage businesses in particular, have been the subject of increasing regulatory scrutiny. The CFD market has experienced a recent wave of regulatory interventions and it is expected that the industry will continue to be a significant focus for regulators. On a pan-European level, ESMA announced on 27 March 2018 that it had agreed to use its MiFID II product intervention powers in relation to the sale of CFDs and binary options to retail investors. Final rules were published in the Official Journal on 1 June 2018 which restrict the marketing, distribution and sale of CFDs to retail clients, including by the introduction of: (i) leverage limits on the opening of a position by a retail client, which vary according to the historical price behaviour of the different classes of underlying assets: 30:1 for major currency pairs; 20:1 for non-major currency pairs, gold and major indices; 10:1 for commodities other than gold and non-major equity indices; 5:1 for individual equities and other reference values and 2:1 for cryptocurrencies; (ii) a margin-close out rule on a per account basis, which would standardise the percentage of margin at which providers are required to close out a retail client's open CFD at a level of 50 per cent. of minimum initial required margin; (iii) negative balance protection on a per account basis, providing an overall guaranteed limit on retail client losses; (iv) a restriction on the use of incentives for trading being offered by CFD providers; and (v) standardised risk warnings to be included in any communications or published information accessible by retail clients relating to the marketing, distribution or sale of CFDs, including an indication of the range of losses on retail investor accounts. These powers will take effect from 1 August 2018 and will have an initial three-month application after which they may be renewed. As Plus500UK and Plus500CY are authorised firms in the EEA, these measures will apply to all relevant transactions entered into by Plus500UK and Plus500CY (regardless of whether their customers are resident inside or outside the EEA). In the UK, the FCA published a consultation paper (CP16/40) in December 2016 on enhancing the conduct of business rules for firms providing CFD products to retail clients. On 29 June 2017, the FCA released a statement announcing that it had decided to delay making final conduct rules for UK firms providing CFDs to retail clients, pending the outcome of ESMA's discussions in relation to its use of its product intervention powers under the MiFID II legislation. On 15 December 2017, the FCA released a further statement announcing that its domestic policy work on permanent product intervention measures applicable to firms offering CFDs remained ongoing and that the FCA supported ESMA in its consideration of potential EU-wide product intervention. On 27 March 2018, the FCA announced that it supported ESMA's decision to make use of its temporary product intervention powers and that the FCA expected to consult on applying those measures on a permanent basis.
B.5	Description of the Company's group	The Company is the parent company of the Group and its Ordinary Shares are currently admitted to trading on AIM. The Group was founded in May 2008 and is managed from its headquarters in Haifa (Israel).

B.6	Shareholders	Insofar as is known to the Company, as at the Latest Practicable Date, the interests of the Directors and (so far as is known to the Directors having made appropriate enquiries) of all such persons connected with the Directors in the issued share capital or voting rights of the Company are as follows:

Director	*Number of Ordinary Shares*	*Percentage of issued share capital and voting rights as at the Latest Practicable Date*
Penelope Judd[1]	21,062	0.02%
Gal Haber[2]	3,005,457	2.64%
Asaf Elimelech[3]	–	–
Elad Even-Chen[4]	–	–
Charles Fairbairn[5]	90,000	0.08%
Daniel King	24,140	0.02%
Steven Baldwin	–	–

1 The shares are registered in the name of Ms. Judd's spouse, Mr. Julian Judd.

2 The shares are registered in the name of Wavesoft Ltd, a company wholly owned by Mr. Haber.

3 Mr. Elimelech does however hold share appreciation rights.

4 Mr. Elad Even-Chen does however hold share appreciation rights.

5 87,000 shares are registered in the name of Wealth Nominees Ltd for Mr. Michael Charles Fairbairn and 3,000 shares are registered in the name of Wealth Nominees Ltd for Mr. Fairbairn's spouse, Ms. Susan Fairbairn.

Save as disclosed above, insofar as is known to the Company, as at the Latest Practicable Date, the following persons, directly or indirectly, were interested in three per cent. or more of the issued share capital or voting rights of the Company:

Shareholder	*Number of Ordinary Shares*	*Percentage of issued share capital and voting rights as at the Latest Practicable Date*
Brightech Investments	11,375,000	9.99%
JPMorgan Chase & Co	8,114,996	7.12%
Sparta24 Ltd[1]	8,491,539	7.45%
Odey Asset Management	6,701,433	5.88%
Old Mutual	4,962,850	4.36%
Investec Group	4,491,241	3.94%

1 The Founders (which includes Alon Gonen whose shares are registered in the name of Sparta24 Ltd) agreed with Liberum not to sell any further Ordinary Shares for a period of 180 days following the completion of the sale of Ordinary Shares on 2 March 2018.

The major Shareholders set out above do not have different voting rights. The Ordinary Shares owned by them rank *pari passu* with other Ordinary Shares in all respects.

The Company is not aware of any person or persons who could, directly or indirectly, jointly or severally, exercise control over the Company.

B.7	Selected historical key financial information	The selected financial information set out below has been extracted without material adjustment from the consolidated historical financial information of the Group as at and for the year ended 31 December 2015, the year ended 31 December 2016 and the year ended 31 December 2017:

Selected Consolidated Income Statement Data

	Year ended 31 December		
	2015	*2016*	*2017*
		(US$ million)	
Trading Income	276	328	437
Total Trading Income	276	328	437
Selling, General and Administrative Expenses	143	177	179
EBITDA	133	151	259
Depreciation and amortisation	–	–	1
Operating profit	133	151	258
Finance income (expenses), net	(5)	1	(5)
Income before taxes on Income	128	152	253
Taxes on Income	31	35	54
Profit for the year attributable to owners	97	117	200

Selected Consolidated Statement of Financial Position Data

	As at 31 December		
	2015	*2016*	*2017*
	(U.S. dollars in thousands)		
ASSETS			
Current assets			
Cash and cash equivalents	156,497	136,481	241,854
Short-term bank deposit	38	37	228
Restricted deposits	181	356	422
Accounts receivable	9,761	9,690	7,696
Income tax receivable	227	4,147	17,190
Total current assets	166,704	150,711	267,390
Non-current assets			
Long-term restricted deposit	24	102	289
Property, plant and equipment	1,977	3,429	3,367
Intangible assets	92	113	84
Deferred income taxes	173	353	490
Total non-current assets	2,266	3,997	4,230
Total assets	168,970	154,708	271,620
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables – due to clients	1,519	1,588	4,482
Other accounts payable and accruals:			
Service supplies	13,391	5,827	22,614
Other	3,480	7,083	12,108
Income tax payable	7,972	1,912	2,318
Share-based compensation	372	2,298	4,171
Dividend	24,368	–	–
Total current liabilities	51,102	18,708	45,693
Non-current liabilities			
Share-based compensation	214	–	–
Total non-current liabilities	214	–	–
Total liabilities	51,316	18,708	45,693
EQUITY			
Ordinary shares	317	317	317
Share premium	22,220	22,220	22,220
Treasury shares	–	–	(7,536)
Retained earnings	95,117	113,463	210,926
Total equity	117,654	136,000	225,927
Total equity and liabilities	168,970	154,708	271,620

	Year ended 31 December		
	2015	*2016*	*2017*
	(U.S. dollars in thousands)		
Trading Income	275,651	327,927	437,238
Selling, General and Administrative Expenses:			
Selling and marketing	125,413	157,277	156,001
Administrative and general	17,647	20,132	22,733
Loss on disposal of property, plant and equipment	109	–	–
Income from Operations	132,482	150,518	258,504
Financial income	178	3,624	3,242
Financial expenses	4,776	2,160	8,388
Financial Income (Expenses) – net	(4,598)	1,464	(5,146)
Income Before Taxes on Income	127,884	151,982	253,358
Taxes on Income	31,317	34,740	53,683
Profit and Comprehensive Income for the Period	96,567	117,242	199,675

Selected Consolidated Statement of Cash Flows Data

	Year ended 31 December		
	2015	*2016*	*2017*
	(U.S. dollars in thousands)		
Cash flows from operating activities:			
Cash generated from operations	128,078	153,294	278,683
Income tax paid – net	(42,658)	(44,548)	(66,514)
Interest received (paid) – net	55	161	(191)
Net cash provided by operating activities	85,475	108,907	211,978
Cash flows from investing activities:			
Deposits withdrawals	1,039	–	–
Purchase of deposits	(38)	–	(218)
Purchase of restricted deposits	(136)	(253)	(203)
Purchase of property, plant and equipment	(819)	(1,905)	(593)
Proceeds from sale of property, plant and equipment	26	–	–
Purchase of intangible assets	(54)	(47)	(10)
Net cash provided by (used in) investing activities	18	(2,205)	(1,024)
Cash flows from financing activities:			
Dividend paid to equity holders of the Company	(65,005)	(123,264)	(102,212)
Acquisition of treasury shares	–	–	(7,536)
Net cash used in financing activities	(65,005)	(123,264)	(109,748)
Increase (decrease) in cash and cash equivalents	20,488	(16,562)	101,206
Balance of cash and cash equivalent at beginning of year	139,164	156,497	136,481
Gains (Losses) from exchange difference on cash and cash equivalents	(3,155)	(3,454)	4,167
Balance of cash and cash equivalents at end of the year	156,497	136,481	241,854

Certain significant changes to the Group's financial and trading position occurred during the financial year ended 31 December 2015, the financial year ended 31 December 2016 and the financial year ended 31 December 2017. These changes are set out below:

- during the periods under review, the Group's revenues increased from US$275.6 million in the financial year ended 31 December 2015 to US$327.9 million in the financial year ended 31 December 2016 and to US$437.2 million in the financial year ended 31 December 2017; and
- during the periods under review, the Group's EBITDA increased from US$132.9 million in the financial year ended 31 December 2015 to US$151 million in the financial year ended 31 December 2016 and to US$259.2 million in the financial year ended 31 December 2017.

In the three month period ended 31 March 2018, the Group's revenues were US$297.3 million, an increase of 284 per cent. compared to the three month period ended 31 March 2017 (Q1 2017: US$77.5 million) and representing 68 per cent. of the total revenues for the financial year ended 31 December 2017. The Group's revenues for the three month period ended 31 March 2018 were over 120 per cent. higher than the previous record quarter. The Group's EBITDA for this three-month period was US$237.3 million, which represented an increase of 418 per cent. compared to the three month period ended 31 March 2017 and over 90 per cent. of the total EBITDA for the financial year ended 31 December 2017.

The increase in revenues was derived from the significant increase in Active and New Customers. The Group had 218,187 Active Customers in the three month period ended 31 March 2018, a 204 per cent. increase compared to the three month period ended 31 March 2017 (Q1 2017: 71,827) and 72,960 New Customers, a 228 per cent. increase compared to the three month period ended 31 March 2017 (Q1 2017: 22,210), which reflects the Group's competitive advantage to react quickly to dynamic market developments, and market volatility.

	AUAC decreased by 45 per cent. from US$907 in Q1 2017 to US$502 in Q1 2018 due to continued efficiency in marketing spend. ARPU increased by 26 per cent. from US$1,080 in Q1 2017 to US$1,363 in Q1 2018 due to an increased level of customers' activity. The Company published the above unaudited financial information in respect of the three month period ended 31 March 2018 on 1 May 2018. The very strong start of Q1 2018, which was referred to in the Company's preliminary announcement of 14 February 2018 and the trading update of 1 May 2018, and its continued strong trading in Q2 2018, which was reported in the Company's trading update of 7 June 2018, mainly resulted from a period of relative volatility in the markets and high levels of trading in the Company's cryptocurrency CFDs offering. The Board believes that these factors encouraged high levels of New Customer sign ups and therefore record trading in Q1 2018. While market conditions have returned to more normal levels in Q2 2018, trading has nevertheless been materially ahead of management expectations. Other than as set out above, there has been no significant change in the financial or trading position of the Group during or subsequent to the period covered by the audited financial information for the Group in Part XIII (Historical Financial Information) of this Prospectus.	
B.8	Selected key pro forma financial information	Not applicable. This Prospectus does not contain pro forma financial information.
B.9	Profit forecast/ estimate	Not applicable. This Prospectus does not contain profit forecasts or estimates.
B.10	Audit report – qualifications	Not applicable. There are no qualifications included in the audit reports or accountant's report (as applicable) on the historical financial information included in this Prospectus.
B.11	Explanation in respect of insufficient working capital	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for the present requirements of the Group, that is, for at least twelve months from the date of this Prospectus.

Section C – Securities

C.1	Type and class of the securities being admitted to trading, including the security identification number	The securities being admitted to trading are the Ordinary Shares of the Company, which have a par value of NIS 0.01 each and whose ISIN is IL0011284465 and SEDOL number is BBT3PS9.
C.2	Currency of the securities issue	Not applicable. The Company is not issuing securities in connection with Admission.
C.3	Issued share capital	As at the Latest Practicable Date, the nominal value of the issued share capital of the Company is NIS 1,148,883.77 divided into 114,888,377 Ordinary Shares of NIS 0.01 each (including 980,146 Ordinary Shares held as treasury shares), all of which are fully paid.
C.4	Rights attached to the securities	The rights attaching to the Ordinary Shares are uniform in all respects and they form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

		Subject to any rights and restrictions attached to any shares, on a show of hands every Shareholder who is present in person has one vote and on a poll every Shareholder present in person or by proxy has one vote for every share of which he is the holder. Except as provided by the rights and restrictions attached to any class of shares, Shareholders are under general law entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.
C.5	Restrictions on free transferability of the securities	There are no restrictions on the free transferability of the Ordinary Shares.
C.6	Admission/ regulated markets where the securities are traded	Application has been made to the FCA and the London Stock Exchange for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to trading on the Main Market. Admission to trading on the Main Market constitutes admission to trading on a regulated market. It is expected that Admission will become effective at 8.00 a.m. on 26 June 2018. The Ordinary Shares were admitted to trading on AIM on 24 July 2013. Application has been made to the London Stock Exchange for the cancellation of trading of the Ordinary Shares on AIM to take effect immediately prior to Admission. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.
C.7	Dividend policy	The Group has historically paid significant dividends to its Shareholders and currently intends to continue to pay dividends both to provide Shareholders with a cash return on their investment and to act as a financial discipline for the Company. The Company's current policy is to pay out at least 60 per cent. of retained profits in each financial year as dividends to Shareholders, including by way of share buybacks.

Section D – Risks

D.1	Key information on the key risks specific to the Company or its industry	● The industry in which the Group operates is highly regulated and has come under increased regulatory scrutiny in recent years in several jurisdictions, and the applicable rules and regulations relating to the Group's offering may be subject to significant change. The failure by the Group to maintain regulatory authorisation in those jurisdictions in which it operates or the refusal of a regulator to grant that authorisation in a jurisdiction in which the Group may wish to operate could prevent the Group from maintaining or expanding its business. In addition, non-compliance with the regulatory framework of certain jurisdictions in which the Group offers its services may result in the issuance of criminal penalties, civil lawsuits, warning notices, fines (which may be excessive) and/or other sanctions on members of the Group or their directors. Many countries have enacted specific laws prohibiting online gambling, betting or trading and whether, or to what extent, such laws in certain jurisdictions outside the EEA and Australia might be extended to apply to the Group's CFD activities is unclear. ● Any restriction on the Group's ability to offer its services (through Plus500UK) on a pan-European basis following Brexit would result in the Group having only one "passportable" EEA licence (rather than two). In the event that Plus500UK is unable to continue to provide services throughout the EEA in accordance with the passporting regime, the Group intends to on-board German and Dutch customers

through Plus500CY. Although the Group believes it has the necessary infrastructure in place in order to move European customers from Plus500UK to Plus500CY if necessary, such customers would be required to sign up to Plus500CY's terms and conditions and provide KYC information which they may decline to do, such that the Group could lose those customers. Any adverse implications on the Group's ability to offer its services on a pan-European basis could therefore result in a significant decrease in its revenues and, consequently, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

- Regulatory changes on a pan-European level (in particular MiFID II legislation and the Packaged Retail and Insurance-based Investment Products Regulation (1286/2014) ("**PRIIPS**")) or at a national level could restrict the ability of the Group to offer its products to certain classes of retail clients in certain markets or lead to certain classes of clients having margin or leverage restrictions imposed on their trading. On a pan-European level, ESMA announced on 27 March 2018 that it had agreed to make use of its MiFID II product intervention powers in relation to the sale of CFDs and binary options to retail investors and published final rules on 1 June 2018. ESMA has restricted the marketing, distribution and sale of CFDs to retail clients, including by the introduction of: (i) leverage limits on the opening of a position by a retail client, which vary according to the historical price behaviour of the different classes of underlying assets: 30:1 for major currency pairs; 20:1 for non-major currency pairs, gold and major indices; 10:1 for commodities other than gold and non-major equity indices; 5:1 for individual equities and other reference values and 2:1 for cryptocurrencies; (ii) a margin-close out rule on a per account basis, which would standardise the percentage of margin at which providers are required to close out a retail client's open CFD at a level of 50 per cent. of the minimum initial required margin; (iii) negative balance protection on a per account basis, providing an overall guaranteed limit on retail client losses; (iv) a restriction on the use of incentives for trading being offered by CFD providers; and (v) standardised risk warnings to be included in any communications or published information accessible by retail clients relating to the marketing, distribution or sale of CFDs, including an indication of the range of losses on retail investor accounts. These rules will be in effect from 1 August 2018. The rules will have an initial duration of three months, after which the measures may be renewed.

- In the UK, the FCA published a consultation paper (CP16/40) in December 2016 on enhancing its conduct of business rules for firms providing CFD products to retail clients. On 29 June 2017, the FCA released a statement announcing that it had decided to delay making final conduct rules for UK firms providing CFDs to retail clients, pending the outcome of ESMA's discussions in relation to its use of its product intervention powers under the MiFID II legislation. On 15 December 2017, the FCA released a further statement announcing that its domestic policy work on permanent product intervention measures applicable to firms offering CFDs remains ongoing and that the FCA supported ESMA in its consideration of potential EU-wide product intervention. On 27 March 2018, the FCA released a statement making reference to the ESMA announcement of the same day and referred to in the preceding bullet-point and stated that the FCA expected to consult on applying the ESMA measures on a permanent basis.

- International regulators are giving increased attention to the use and promotion of CFDs on cryptocurrencies, and regulators in a number of jurisdictions have issued statements and consumer risk warnings on

		the subject. For example, in the UK, the FCA issued a consumer warning on 14 November 2017 with respect to the potential risks of investing in cryptocurrency CFDs. Furthermore, in its 27 March 2018 announcement (referred to above), ESMA stated that it was making use of its product intervention powers to apply reduced leverage limits to CFDs on cryptocurrencies for retail customers. ESMA also stated that, due to the specific characteristics of cryptocurrencies as an asset class, the market for financial instruments providing exposure to cryptocurrencies (such as CFDs) will be closely monitored and ESMA will assess whether additional stricter measures are required. The final powers published on 1 June 2018 will come into force on 1 August 2018. Given the increased regulatory scrutiny, there is a risk that changes to the regulatory approach to CFDs on cryptocurrencies, which the Group currently offers, may impact upon the manner in which the Group conducts its business or upon the types of products that it can offer (whether generally or in certain jurisdictions). ● Executing transactions with customers via the internet exposes the Group to a number of risks. The Group currently accepts customers from various jurisdictions outside the EEA, Australia, South Africa, Israel, New Zealand and Singapore and allows them to execute transactions online. In some jurisdictions where the Group has no physical or regulated presence, the Company may not be aware of all of those laws or regulations that are applicable to the relationship the Group has with customers. The Company has in the past commenced trading in a limited number of jurisdictions where its offering has been found to constitute, or are likely to constitute, an offence and the penalties (whether civil, criminal, regulatory or other) against the Group or its directors are unknown. ● The Group uses online marketing channels to advertise its business and increase its customer base. However, in certain jurisdictions, including, for example, the EEA, Australia, South Africa, Israel, New Zealand and Singapore, the promotion of investment activities is regulated, which restricts the manner in which the Group may advertise in that jurisdiction. Further, the Group cannot guarantee that all the affiliates signed onto the "500 Affiliates" programme will comply at all times with the Group's relevant policies and procedures and the laws and regulation of their jurisdictions and this could expose the Group to risks associated with the activities of affiliates who advertise the Plus500 brand (including in connection with bribery and corruption), which in turn could have a material adverse effect on the Group's reputation, business, financial condition and operating results. ● The online financial trading business is very competitive and the Group expects competition to continue to intensify as the financial success of companies within the markets in which the Group offers its services could serve to attract new competitors to the industry, such as banks, software development companies, providers of online financial information, stock exchanges and others. The Group's ARPU is lower than many of its competitors due to the nature of the Group's customer base (being comprised of retail customers rather than institutional traders). The Group is therefore dependent on maintaining a large number of Active Customers which requires the attraction of New Customers. This is compounded with the fact that demand for the Group's offering can vary due to factors outside of the Group's control. Primarily, periods of low market volatility can decrease customer activity on account of a perceived lack of attractive trading opportunities for customers.

D.3	Key information on the key risks specific to the Ordinary Shares	● The price of the Ordinary Shares may fluctuate significantly and investors could lose all or part of their investment. ● Sales of Ordinary Shares by significant shareholders could depress the price of the Ordinary Shares. ● The Company may not pay cash dividends on the Ordinary Shares in the future. Consequently, investors may not receive any return on investment unless they sell their Ordinary Shares for a price greater than that which they paid for them. ● If securities or industry analysts do not continue to publish research or reports about the Group's business, or if they downgrade their recommendations, the market price of the Ordinary Shares and their trading volume could decline. ● Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares. ● Holders of DIs must rely on the Depositary or the Custodian to exercise rights attaching to the underlying Ordinary Shares for the benefit of the DI holders.

Section E – Offer

E.1	Total net proceeds and estimate of total expenses of the issue/offer, including estimated expenses charged to investors	Not applicable. The Company is not offering any Ordinary Shares nor any other securities in connection with Admission.
E.2a	Reasons for the offer, use of proceeds and estimated net amount of proceeds	Not applicable. The Company is not offering any Ordinary Shares nor any other securities in connection with Admission, therefore it will not be receiving any proceeds in connection with Admission.
E.3	Terms and conditions of the offer	Not applicable. The Company is not offering any Ordinary Shares nor any other securities in connection with Admission.
E.4	Interests material to Admission, including conflicting interests	Other than as disclosed in Element B6, there are no interests, including conflicting interests that are material to Admission.
E.5	Name of the offerors/Lock-up agreements	Not applicable. The Company is not offering any Ordinary Shares nor any other securities, and no lock-up agreements have been or will be entered into, in connection with Admission.
E.6	Dilution	Not applicable. There is no dilution in connection with Admission since the Company is not offering any Ordinary Shares nor any other securities in connection with Admission.
E.7	Estimated expenses charged to investors by the Company	Not applicable. The Company is not offering any Ordinary Shares nor any other securities in connection with Admission; therefore, no expenses will be charged to the investors by the Company in respect of Admission.

PART II

RISK FACTORS

Any investment in the Ordinary Shares would be subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below. Additional risks and uncertainties that are not currently known to the Group, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition and operating results. If this occurs the price of the Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances.

Prospective investors should note that the risks relating to the Group, its industry and the Ordinary Shares summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operation and financial position.

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

The vast majority of the Group's revenue depends upon the maintenance of licences from regulators

The Group, through Plus500UK and Plus500CY, has obtained regulatory authorisation from the FCA in the United Kingdom and the CySEC in Cyprus, respectively, to provide certain financial services throughout the EEA in reliance on "passports" granted in accordance with MiFID I and equivalent legislation. In addition, the Group, through Plus500AU, has obtained regulatory authorisation from ASIC in Australia, the FMA in New Zealand and the FSCA in South Africa, to provide certain financial services in Australia, New Zealand and South Africa respectively. The Group, through Plus500IL, has also obtained regulatory authorisation from the ISA in Israel to provide certain financial services in Israel. Further, the Group, through Plus500SG, has obtained regulatory authorisation from the MAS and Enterprise Singapore (formerly known as International Enterprise Singapore) in Singapore to provide certain financial services and CFD trading in spot commodities respectively in Singapore. Most recently, the Group has obtained additional regulatory authorisation from the FSCA for its South African subsidiary, Plus500SA, allowing it to provide certain financial services in South Africa. In the year ended 31 December 2017, the Group derived the vast majority of its revenues from the EEA, Australia, South Africa, Israel and New Zealand pursuant to its licences in the UK (FCA), Cyprus (CySEC), Australia (ASIC), New Zealand (FMA), South Africa (FSCA) and Israel (ISA).

Customers based in the EEA (outside the United Kingdom, Germany and the Netherlands) are on-boarded through Plus500CY and customers based in the United Kingdom, Germany and the Netherlands are on-boarded through Plus500UK. The Group on-boards German and Dutch customers through Plus500UK, rather than Plus500CY, to improve operational efficiency by balancing internal workload in relation to customer on-boarding and associated costs between these two subsidiaries. Customers based in Australia, New Zealand and South Africa are on-boarded through Plus500AU, customers based in Israel are on-boarded through Plus500IL, and customers based in Singapore are on-boarded through Plus500SG. Plus500CY on-boards all other customers based in the Rest of the World.

If the Group were to fail to maintain its UK, Cyprus and/or Australian licences it would be required to cease its operations in one or all of its core markets, which would result in a significant decrease in its revenues and, consequently, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Non-compliance with the regulatory framework of jurisdictions in which the Group's offering is available could adversely affect the Group's profitability and may result in the suspension, revocation or amendment of its licences and/or other enforcement action

Any non-compliance with applicable laws or regulations in any jurisdiction (including where the Group has no establishment or operations but from which it accepts customers) could have a significant impact on the way in which the Group conducts its business. For example, many countries have enacted specific laws prohibiting online gambling or betting or trading in binary options or may impose licensing requirements on specified activities, such as permitting trading in products referenced to certain underlying instruments, including shares and commodities and whether, or to what extent, such laws in certain jurisdictions apply to the Group's CFD activities or may be enforced against the Group may be unclear. Any non-compliance with applicable laws or regulations could result in suspension, revocation or amendment of its licences and could subject members of the Group or their directors to criminal penalties, civil lawsuits, warning notices, fines (which may be excessive) and/or other sanctions from regulators or authorities.

The Group has in the past been, and may going forward be, required to take remedial action and/or appoint external consultants, skilled persons or other investigators to address or investigate legal, compliance or regulatory failures or concerns in relation to, amongst other things, customer on-boarding and anti-money laundering ("**AML**") procedures and customer terms. For example, regulators in various jurisdictions (including the FCA and ASIC) have previously raised concerns regarding the Group's operations, policies and procedures (including customer on-boarding and money-laundering proceedings and customer terms) and, in some cases, certain past and present members of the Group have been the subject of fines and/or warning notices from such regulators. There is a risk that there may be residual liabilities stemming from these matters and that going forward other breaches will occur or will be deemed to have occurred. Failure to comply with the legal or regulatory requirements in any jurisdiction in which the Group's offering is available may have a significant adverse effect on the business and operations of the Group.

On 2-3 April 2014, the FCA visited Plus500UK following the identification by the FCA's Supervision Division of potential deficiencies in Plus500UK's customer due diligence ("**CDD**") processes. The FCA subsequently provided detailed written feedback to Plus500UK, including in relation to Plus500UK's AML and financial sanctions systems and controls, and governance and management oversight of AML. In view of the FCA's feedback, Plus500UK took action to implement enhancements to its AML and financial sanctions compliance framework. In October 2014, the FCA made a follow-up visit to Plus500UK, following which it communicated to Plus500UK that good progress has been made but there remained a need for significant further remedial work. In addition, as a result of concerns the FCA had identified relating to the timing of customer identity verification checks, at the request of the FCA, Plus500UK provided a voluntary requirement ("**VREQ**") to the FCA whereby Plus500UK would: (i) prohibit all account activity of existing customers; and (ii) not accept deposits from, or open accounts for, new customers, in each case until it had obtained and verified those customers' due diligence information in accordance with the Money Laundering Regulations 2007 ("**MLR**"). In January 2015, the FCA conducted a further review of Plus500UK's AML and financial sanctions systems and other regulatory controls. As a result of the concerns the FCA had identified from its reviews, Plus500UK was also required by the FCA, under a requirement notice issued to Plus500UK pursuant to s.166 FSMA, to appoint a "skilled person" to conduct a review of the effectiveness of governance, management oversight, and the competence of senior management, in respect of AML systems and controls; the adequacy of the AML control framework; and the effectiveness of back-book remediation.

On 15 May 2015, following a review by the skilled person which found that Plus500UK had breached the terms of the VREQ, at the request of the FCA, a second VREQ was entered into in terms substantially similar to the first VREQ, with the additional requirement that Plus500UK would not take on any new clients unless and until it had taken all necessary steps to ensure that: (i) its assessment of a client's appropriateness complied with the FCA's Conduct of Business Sourcebook ("**COBS**"); and (ii) all future financial promotions issued and capable of having effect in the UK would be balanced, fair, clear and not misleading, and comply fully with COBS. The implementation of these enhanced client on boarding and AML processes, to be undertaken by Plus500UK, were announced on 18 May 2015 and a further clarification statement concerning the same was announced on 22 May 2015.

In connection with the second VREQ, Plus500UK implemented enhanced customer on-boarding and AML processes which necessitated additional documentation checks being performed on existing and new Plus500UK customer accounts. On-boarding of any new customers ceased pending the implementation of these new AML processes and procedures (including in relation to existing customer accounts). As a result, some Plus500UK customers experienced delays in: (i) receiving the necessary approval to open new accounts; and (ii) opening new trades on their existing accounts. Only Plus500UK was impacted and the Company continued to offer its services to new and existing customers through its subsidiary in Cyprus (including new customers from the UK). Those existing customers that were impacted were nevertheless able to freely close out open positions and to service their positions with additional margin although they were unable to otherwise deposit or withdraw funds. The majority of existing customers resumed trading with Plus500UK by the end of June 2015.

The FCA required Plus500UK to appoint a second skilled person pursuant to s.166 FSMA in order to assess the effectiveness of Plus500UK's remediation exercise. The FCA's key requirement was for the second skilled person to independently review a sample of all trades and other transactions carried out during the period of the second VREQ in order to ensure adequate CDD had been carried out for all relevant customers. The second skilled person's final report was issued in early July 2015. All of the sample trades and transactions reviewed by the second skilled person and addressed in its final report received satisfactory results. The overall conclusion of the report was that there was no indication that Plus500UK had breached its requirements under the second VREQ. The report made certain recommendations in respect of areas for further improvement identified in the review (each of which had already been addressed, or were being addressed as part of ongoing projects within Plus500UK).

These skilled persons reports, remediation exercises and other related actions resulted in one-off costs of approximately US$4.5 million and management time being expended by the Group. Following implementation of the remedial measures, the first and second VREQs were removed from the FCA register on 3 December 2015. On-boarding at Plus500UK of new customers based in the UK recommenced on 6 January 2016, notwithstanding that new written procedures had been completed a number of months beforehand. The Company considered it prudent to delay the resumption of customer on-boarding over this period. The Directors believe that the Company is now fully compliant with all applicable AML and CDD requirements but cannot guarantee that, in the future, other breaches will not occur or be deemed to have occurred or that the FCA will not seek to revisit any of the matters discussed with Plus500UK in the past.

Withdrawal or amendment of regulatory authorisations in respect of all or part of the business carried on by the Group or in respect of the fitness and propriety of one or more individuals to perform their current roles (including any of the Directors) might oblige the Group to cease conducting a particular type of business or modify the manner in which it is conducted. In addition, where authorisation of a particular individual has been removed, this would result in the need to allocate responsibility for the part of the business which had been such individual's responsibility to different individuals.

Failure to comply with the legal or regulatory requirements in any jurisdiction in which the Group offering is available may have a significant adverse effect on the Group's reputation, business, prospects, financial condition and operating results and may result in fines, warnings, sanctions or the suspension, revocation or restriction of licences or authorisations.

Increased regulatory scrutiny of the industry in which the Group operates could adversely affect the Group's revenue, business and profitability

The financial services industry generally, and the activities of online brokerage businesses in particular, have been the subject of increasing regulatory scrutiny at both a national and international level. The CFD market has experienced a recent wave of regulatory interventions and it is expected that the industry will continue to be a significant focus for regulators. A detailed description of the regulatory environment in the jurisdictions from which the Group derives the majority of its revenue and/or in which members of the Group are based can be found in Part IX (*Regulatory Information*) of this Prospectus.

On a pan-EEA level, ESMA published a question and answer document ("**Q&A**") on the application of MiFID I to the marketing and sale of CFDs and other speculative products to retail clients on 8 April 2016. The purpose of the Q&A was to promote common supervisory approaches and practices in the application of MiFID I and its implementing measures to certain key aspects that are relevant to the sale of such products to retail clients. Although the Q&A was aimed at national competent authorities and does not impose direct obligations on EU regulated firms such as Plus500UK or Plus500CY, the answers were also intended to help firms by providing clarity on the relevant requirements. Although the Q&A was produced with reference to the previous MiFID I legislative framework, which was in force at the date of its publication, the Q&A stated that the principles and requirements that underpin it would remain unchanged under the new regime introduced by the MiFID II legislation, which has applied to firms in EEA Member States since 3 January 2018.

ESMA published updated versions of the Q&A on 1 June 2016, 25 July 2016, 11 October 2016, 31 March 2017 and 1 June 2018 and has stated that it will continue to review the Q&A on a regular basis. The Q&A provides guidance on: (i) the authorisation of firms offering CFDs and other speculative products to retail investors; (ii) conflicts of interest arising from business models that may be adopted by firms offering speculative products to retail investors; (iii) the information to be provided to clients and potential clients; (iv) appropriateness assessment procedures; (v) factors for national competent authorities to take into account when considering commercial arrangements between two authorised firms that result in the offer of CFDs or other speculative products to retail clients:; (vi) the use of trading benefits when offering CFDs or other speculative products; (vii) the withdrawal of funds from trading accounts when investing in CFDs or other speculative products; (viii) the use of leverage when offering CFDs or other leveraged products to retail clients; (ix) best execution obligations for firms offering CFDs or other speculative products to retail clients; and (x) passporting and the cross-border provision of services by investment firms offering CFDs and other speculative products to retail clients outside the home Member State without the establishment of a branch or tied agent.

While the contents of the Q&As should not immediately result in any material changes being required to be made to the Group's business or operations, the Q&A is nevertheless an example of the heightened pan-European regulatory scrutiny on the industry. It is possible that national regulators such as the FCA and the CySEC could use the Q&A as the basis for changes to existing regulation or to their interpretation or application of existing regulation (and, as is discussed below, the CySEC has already endorsed certain of the recommendations from ESMA's Q&As by the means of Circulars). If national regulators in the EEA choose to adopt the full contents of the Q&A, or impose additional requirements in line with them, there is a risk that there could be restrictions upon the way in which the Group conducts its business in the EEA or upon the systems and controls used within Plus500UK or Plus500CY. This may result in the Group being required to make changes to their existing processes and procedures which could necessitate the expenditure of costs and/or management time. It may also impact the range of products that the Group could offer to customers or restrict the types of customers that Plus500UK and/or Plus500CY could accept (regardless of whether the customers were themselves inside or outside the EEA). It is anticipated that any such changes would be required to be made by the Group's market competitors who also conduct equivalent CFD businesses in the EEA.

In addition, under the MiFID II legislation, national regulators and ESMA have been granted stronger product intervention powers, including the ability to ban or restrict the marketing or distribution of products where there is a "significant investor protection concern". On a pan-European level, ESMA announced on 27 March 2018 that it had agreed to make use of its MiFID II product intervention powers in relation to the sale of CFDs and binary options to retail investors. Final rules were published in the Official Journal on 1 June 2018 and ESMA has restricted the marketing, distribution and sale of CFDs to retail clients, including the introduction of: (i) leverage limits on the opening of a position by a retail client, which vary according to the historical price behaviour of the different classes of underlying assets: 30:1 for major currency pairs; 20:1 for non-major currency pairs, gold and major indices; 10:1 for commodities other than gold and non-major equity indices; 5:1 for individual equities and other reference values and 2:1 for cryptocurrencies; (ii) a margin-close out rule on a per account basis, which would standardise the percentage of margin at which providers are required to close out a retail client's open CFD at a level of 50 per cent. of the minimum initial required margin; (iii) negative balance protection on a per account basis, providing an overall guaranteed limit on retail client losses; (iv) a restriction on the use of incentives for trading being offered by CFD providers; and (v) standardised risk warnings to be included in any communications or published information accessible by retail clients relating to the marketing, distribution or sale of CFDs, including an indication of the range of losses on retail investor accounts. ESMA also stated that, due to the specific characteristics of cryptocurrencies as an asset class, the market for financial instruments providing exposure to cryptocurrencies (such as CFDs) will be closely monitored and ESMA will assess whether additional stricter measures are required. The rules will take effect from 1 August 2018 and will last for an initial three-month period, after which they may be renewed. As Plus500UK and Plus500CY are authorised firms in the EEA, these measures will apply to all relevant transactions entered into by Plus500UK and Plus500CY (regardless of whether their customers are resident inside or outside the EEA).

The Group's proprietary risk management system is designed to limit overall exposures to a single instrument together with exposure limits for each customer, which is beneficial for both the Company and the customer, and therefore the market risk in the case of an exceptional event occurring. The Group also limits the risk and exposure on an individual customer level. The Group offers CFDs across a diversified portfolio and in the financial year ended 31 December 2017 had approximately 317,175 active customers; this diversification provides additional risk mitigation as the Group does not have a significant exposure to one underlying asset or a small minority of customers.

The Company believes that the ESMA measures will have an effect on the Group's financial performance in that the rate of growth in the Group's revenue from its clients in the EEA may not be as high as it would have been if the ESMA measures had not been introduced, but this has been factored into the Group's performance expectations for the current financial year. In addition, the Group derived less than 15 per cent. of its total revenue for the financial year ended 31 December 2017 from CFDs referenced to cryptocurrencies. The Company expects that the ESMA measures, particularly the lower leverage limits on cryptocurrencies, will also have an effect on this revenue stream.

The Group's financial results for the three month period ended 31 March 2018 showed an increasing level of revenue generated from outside of the EEA. For example, revenue generated from customers in Switzerland, Australia, South Africa and New Zealand accounted for approximately 12 per cent. of the Group's total revenue during the financial year ended 31 December 2017 compared to approximately 17 per cent. of the Group's total revenue for Q1 2018. In addition, Plus500SG was not operational for the majority of the financial year ended 31 December 2017. As a result, non-EEA generated revenue is expected to increase even further for the current financial year ending 31 December 2018. The Company believes that this can be further mitigated by providing those of its customers in the EEA that wish to trade on higher margin, the option of applying for an EPC account, such application being subject to approval by the Company and provided that the customer meets the regulatory requirements to qualify for an EPC account. Plus500UK and Plus500CY began evaluating their customer bases regarding EPC status in February 2018 and consider that across the Group 12 per cent. of its customers in the EEA may be eligible for EPC status. In conducting this evaluation, Plus500UK and Plus500CY will be mindful of the guidance on client categorisation issued by ESMA in the 25 May 2018 version of its Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics (ESMA 35-43-349) (the "**Investor Protection Q&As**").

While it remains difficult to fully assess the impact of the ESMA measures on the Group until they are implemented on 1 August 2018, the introduction of such measures could require the Group to modify its operations which could have an adverse effect on the Group's business, prospects and overall profitability.

At a national level, national regulators in certain jurisdictions, such as Poland, Belgium, France, Germany and the UK, have introduced, or have issued consultations or draft rules in respect of introducing, additional regulations applicable to the Group's provision of financial services to retail clients resident in such jurisdictions. These requirements apply, or will if enacted apply, in addition to the rules applicable to firms providing financial services under the laws of the European Union.

In the UK, the FCA has given particular focus to the compliance of online CFD firms in the past two to three years and, in particular, the take-on process for new customers. For example, in February 2016, the FCA published the form of a "Dear CEO" letter that had been sent to the CEOs of firms engaging in the retail CFD sector. In December 2016, the FCA published a consultation paper on enhancing the conduct of business rules for firms providing CFD products to retail clients. In this consultation paper, the FCA proposed a package of policy measures intended to improve investor protection, including enhanced disclosure requirements, the introduction of leverage limits and a prohibition on bonus promotions. On publication of this consultation paper, the Company's share price fell approximately 20 per cent. but has since recovered. On 29 June 2017, the FCA released a statement announcing that it had decided to delay making final conduct rules for UK firms providing CFDs to retail clients, pending the outcome of ESMA's discussions in relation to its potential use of its product intervention powers under the MiFID II legislation. On the same day, the FCA published the results from a review that it had conducted of appropriateness assessments for sales of CFD products from a sample of 23 firms. The FCA found that there remained a number of key areas of concern, including: (i) inadequate assessments of prospective clients' knowledge; (ii) insufficient account of clients' previous transactional experience; (iii) inadequate risk warnings to prospective clients who fail appropriateness assessments; (iv) failure to evaluate whether failed applicants should be allowed to make CFD transactions; and (v) poor oversight, weak controls and inadequate management information. On 10 January 2018, the FCA published the form of a further "Dear CEO" letter sent to the CEOs of firms engaging in the retail CFD sector. In this letter, the FCA voiced concerns over practices within firms which (unlike the Group) offer and distribute CFDs to retail customers on either an advisory or discretionary portfolio management basis. The letter invited all providers of CFDs in the UK to take note of the areas of concern the FCA had identified among the firms it had reviewed, including in relation to: (i) target market identification; (ii) communication, oversight and challenge in relation to information shared with distributors; (iii) the process for taking on new distributors; (iv) managing conflicts of interest; (v) the use of management information and key performance indicators; (vi) client categorisation, in particular with respect to the categorisation of elective professional clients; and (vii) remuneration arrangements. On 27 March 2018, the FCA issued a statement on ESMA's temporary product intervention powers (announced that day and referred to above). The FCA stated that it supported ESMA's measures and that the FCA expected to consult on whether to apply such measures on a permanent basis to firms offering CFDs and/or binary options to retail clients.

In Switzerland, the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (the "**FMIA**") entered into force on 1 January 2016. The FMIA forms part of the reformed regulatory framework in Switzerland, which regulates the conduct of market participants with the aim of ensuring that markets operate properly and that investors are suitably protected and treated equally. It is not clear from the scope of this legislation whether it applies to CFD providers and therefore there can be no assurances that the regulatory authorities in Switzerland will not in the future rule that the Group requires a licence or other authorisation if it is to continue offering its services in Switzerland and what the implications will be for the Group if it continues to offer its services without such licence or other authorisation.

In Poland, the Financial Supervision Authority introduced new margin requirements in July 2015, requiring retail customers residing in Poland to maintain one per cent. of their exposure as balance in their account. These regulatory limits mean that the maximum leverage available to a customer resident in Poland is 1:100. The Group's offering available to customers resident in Poland is compliant with these regulatory limits. The introduction of more restrictive leverage limits in any of the jurisdictions in which the Group does business could lead to reduced customer activity and could have a material adverse effect on the Group's revenue, business prospects and overall profitability. There can be no assurances that regulators in jurisdictions in which the Group's offering is available will not in the future impose such restrictions and prohibitions.

In Belgium, a Royal Decree was issued on 21 July 2016 (and published on 8 August 2016). The Decree approved a regulation of the Belgian Financial Services and Markets Authority (the "**Belgian FSMA**") on the distribution of OTC derivatives. With effect from 18 August 2016, the marketing and distribution of CFDs containing leverage and certain other financial derivatives to retail clients was prohibited. The Group no longer accepts retail clients based in Belgium and Plus500CY amended its user agreement prior to the implementation of the Decree on 18 August 2016. In addition, the Company reached a settlement with the Belgian FSMA in April 2017 in relation to a regulatory investigation for offering FX products and CFDs into the territory of Belgium without submitting a prospectus.

In addition to payment of the settlement sum, as part of the settlement the Company agreed: (i) to terminate all its Belgian clients' contracts without charge; and (ii) to close the www.plus500.be website and indicate on all other of the Group's websites that the trading instruments offered are not available to Belgian residents.

In April 2017, the Group reached a settlement agreement with the Belgium FSMA for the amount of EUR550,000. The settlement was reached in the context of the public offering of investment instruments, including CFDs as offered by the Group, in Belgium and did not amount to an admission of guilt or non-compliance by the Group. Despite believing that it had introduced all necessary procedures to comply with the applicable legislation, the Group felt that a settlement agreement was appropriate to respect the authority of the Belgium FSMA and to reach a swift and final clearance of the jurisdictional process.

On 9 December 2016, the French financial regulator, Autorité des marchés financiers (the "**AMF**"), introduced law n° 2016-1691 (known as the "Sapin II Act"), prohibiting the electronic marketing of certain types of OTC derivatives to retail clients in France, including those for which: (i) the maximum risk is unknown at the time the contract is entered into; (ii) the risk of loss is greater than the amount initially invested; or (iii) the risk of loss compared to the potential advantages is not reasonably understood with regard to the particular nature of derivative. Having sought French legal advice, the Group understands that CFD providers continue to be permitted to operate in France without a limited risk account provided that those CFD providers do not perform any type of marketing activity in France. Whilst these new rules are not currently applicable to the Group's business on the basis that it no longer markets in France, if it was to resume marketing in France, the Group would be subject to such restrictions.

In Israel, the Israeli Securities Law was recently amended to prohibit the offering of binary options either to Israeli customers, or from Israel to non-Israeli customers. Although the Group does not currently, nor in the future intend to, offer binary options, this law authorises the Israeli Minister of Finance to extend the prohibition to other financial instruments.

In view of the heightened regulatory focus on the industry, there is a risk that CFDs may become subject to a requirement to be centrally cleared (similar to that applying to certain over-the-counter derivative contracts under the European Market Infrastructure Regulation). Such a change could require the Group to significantly modify its operations which could have an adverse effect on the Group's business, prospects and overall profitability.

In addition, international regulators are giving increased attention to the use and promotion of CFDs based on the prices of cryptocurrencies. For example, between July to September 2017, risk warnings and statements were issued in the US by the Securities and Exchange Commission, and separately authorities in Canada and Hong Kong made similar statements. In October 2017, CySEC confirmed it was imposing additional requirements on the firms it regulates when they trade in cryptocurrencies or in CFDs or other derivatives relating to them. In the UK, the FCA issued a Discussion Paper (DP173) in April 2017 on the use of Distributed Ledger Technology and, in November 2017, issued a consumer warning with respect to the potential risks of investing in CFDs referenced to cryptocurrencies. Furthermore, in its announcement of 27 March 2018, ESMA confirmed that it would be imposing leverage limits of 2:1 on CFDs on cryptocurrencies offered to retail customers of EEA-authorised firms (such as Plus500UK and Plus500CY) through its product intervention powers under MiFID II. On 1 June 2018, the final rules were published. ESMA also stated that, due to the specific characteristics of cryptocurrencies as an asset class, the market for financial instruments providing exposure to cryptocurrencies (such as CFDs) will be closely monitored and ESMA will assess whether additional stricter measures are required. Given the increased regulatory scrutiny, there is a risk that changes to the regulatory approach to CFDs on cryptocurrencies, which the Group currently offers, may impact upon the manner in which the Group conducts its business or upon the types of products that it can offer (whether generally or in certain jurisdictions).

More generally, changes in any jurisdictions (whether jurisdictions where the Group is licensed or regulated or in other jurisdictions where customers may be based) to laws or regulations as a result of the increased regulatory scrutiny on the retail CFD sector, including the enactment of new requirements in relation to regulatory authorisation, financial promotions, the use of third party affiliates, taxation, the internet or e-commerce (or a change in the application or interpretation of existing regulations or laws by regulators or other authorities) or a re-classification of the Group's offering as being subject to higher levels of oversight or supervision in any jurisdiction in which the Group currently carries on business might oblige the Group to cease conducting business, or modify the manner in which it conducts business, in that jurisdiction. Any such changes could impact the range of products that the Group offers to customers and/or could restrict the types of customers in impacted jurisdictions that the Group can accept. Such changes could also result in significant expense being incurred or investment of management time in order to interact with regulators, implement necessary changes, and/or subject the Group or its directors or customers to additional taxation or civil, criminal, regulatory or other action. These changes may relate to the rules (or the interpretation or application of rules) in individual jurisdictions, or they may relate to international or multi-national regulations (such as those of the European Union) and their implementation.

Changes to the EU regulatory framework and current and proposed EU regulations and directives could restrict the Group's business, and the implementation and interpretation of necessary changes to comply with them could place a significant demand on the Group's resources

The EU financial services regulatory regime has recently undergone significant change, and is expected to see further significant change in the near and medium-term, as a result of the implementation of various EU regulations and directives, in particular relating to the MiFID II legislation, the updated EU market abuse regime, the Packaged Retail and Insurance-based Investment Products Regulation (1286/2014) (the "**PRIIPS Regulations**"), and the fourth money laundering directive (2015/849) ("**MLD4**").

The MiFID II legislation has applied to firms in EEA Member States since 3 January 2018. It has substantially altered and enhanced the previous regime under MiFID I and has made several significant changes affecting the business of the Group. The new measures include changes to the existing trading and execution regimes, enhanced reporting and transparency requirements, non-discriminatory access to trading venues and central counterparties, and increased investor protection. As part of the package of investor protection measures, there have been changes to the rules governing the assessment of appropriateness of products and services for clients, enhanced information requirements for clients and restrictions on third-party inducements (which may also have an impact upon the 500Affiliates programme). There have also been changes to the requirements on firms' governance and compliance requirements, including a new product governance regime, and enhancements to the best execution and conflicts of interests requirements.

The Group has implemented the requirements of the MiFID II legislation that are applicable to its business. The Group's implementation of the MiFID II legislation has included: (i) developing new systems for the publication of information relating to the quality of execution provided by Plus500UK and Plus500CY; (ii) updating the user agreement and on-boarding process of Plus500UK and Plus500CY to comply with the new product governance regime, and particularly to ensure that Plus500UK and Plus500CY do not offer a trading account to prospective customers who fall outside their identified target market; (iii) enhancing the appropriateness assessment procedures of Plus500UK and Plus500CY, including by introducing a break in the process for customers who are assessed as not having sufficient knowledge and/or previous experience of trading CFDs; and (iv) developing new systems and procedures to capture the additional information required to be reported under the enhanced transaction reporting regime, including a unique client identifier for each transaction. Based on current threshold limits, neither Plus500UK nor Plus500CY will be categorised as systematic internalisers, and they also do not fall within the definition of multilateral trading facilities or organised trading facilities within the meaning of the MiFID II legislation. However, the threshold for being a systematic internaliser is subject to review and updating and so there is a risk that either Plus500UK or Plus500CY may become a systematic internaliser at a later date and so become subject to a higher compliance burden.

The Market Abuse Regulation ("**MAR**") and the Directive on Criminal Sanctions for Market Abuse ("**CSMAD**" and together with MAR, the "**MAD II legislation**") together updated the market abuse regime in Europe by recasting the 2003 Market Abuse Directive ("**MAD**"). CSMAD entered into force on 2 July 2014. MAR's provisions entered into force on 3 July 2016, which was also the deadline for Member States to transpose CSMAD's provisions into national law (although the UK decided to opt out of CSMAD). The MAD II legislation was developed in tandem with the MiFID II legislation (which is discussed below), and both sets of measures are closely connected with the efficiency, integrity and competitiveness of EU markets. MAR updated the EU market abuse framework to accommodate certain developments which have significantly changed the financial landscape since MAD was originally introduced. These include market and technological developments and the increase of trading outside the regulated markets that were the focus of the MAD regime. MAR considerably strengthened and extended the reach of the EU market abuse regime to allow supervisors to monitor for market abuse across a much wider range of different instruments and venues.

The PRIIPs Regulation came into force on 29 December 2014 and applied to firms from 1 January 2018. The PRIIPs Regulation applies to any manufacturer or provider of packaged retail and insurance based investment products ("**PRIIPs**") to retail investors. The PRIIPs Regulation requires PRIIPs manufacturers to put together a concise key information document for retail investors for each PRIIP that is provided. CFDs fall within the definition of PRIIPs and therefore Plus500UK and Plus500CY, as providers of CFDs to retail investors within the EU, are subject to its requirements. Plus500UK and Plus500CY have therefore developed a key information document for each of the six classes of CFD products that they offer. Whilst Plus500UK and Plus500CY consider that this approach is in line with the approach taken by its competitors in the CFD industry, there is a risk that ESMA or local regulators (such as the FCA and/or CySEC) may take a different view in the future and so require additional key information documents to be prepared.

MLD4 entered into force on 25 June 2015 and amended and repealed the Third Money Laundering Directive (2005/60/EC). Member States were required to implement the provisions of MLD4 into national law by 26 June 2017.

Although the scope of MLD4 is similar to the Third Money Laundering Directive (2005/60/EC), certain new provisions have been introduced. The key changes set out by MLD4 included changes to the scope of the

AML regime, measures designed to provide enhanced clarity and accessibility with regard to beneficial owner information, a tightening of the rules on when simplified due diligence can be used and a strengthening of the sanctioning powers of national supervisors through the introduction of a set of minimum principles-based rules.

Implementing these EU-wide legislative measures has resulted in additional compliance costs and management time being expended by the Group. As each of the measures described above (being the MiFID II legislation, MAR, the PRIIPs Regulation, and MLD4) are only recently implemented, it is expected that EU bodies such as ESMA, and individual national competent authorities may continue to adopt, issue or impose additional interpretative guidance (such as guidelines and question and answer documents) which may change or enhance the manner in which the Group, and the industry and sector as a whole, have interpreted and applied the relevant legislation. Furthermore, industry bodies and other groups may also issue similar guidelines or question and answer documents which may also change the manner in which the relevant legislation is interpreted and applied. Additionally, over time national competent regulators and courts may issue regulatory sanctions, disciplinary notices, judgments or may otherwise seek to enforce the application of these measures in different ways. The challenge of implementation and maintaining compliance with recent regulation may be further exacerbated in the event of inconsistent interpretations of both individual pieces of EU legislation and of different measures by regulators and other authorities, both within or across jurisdictions. As new measures are implemented, this may result in further changes to processes or procedures that had been implemented to meet the requirements of other measures. This could result in further management and operating costs for the Group.

The Group is required to conduct "appropriateness tests" on customers

As CFDs are viewed as "complex products" from a regulatory perspective in the EEA and other jurisdictions, the Group obtains information from prospective customers to enable an assessment of whether they have the relevant knowledge and experience to understand the risks connected with the Group's offering. If a customer is assessed as lacking in the relevant knowledge and experience, their application will either be rejected or they will be notified of their status and assurance will be sought from the applicant that they explicitly understand the risks involved and that they will familiarise themselves with the product before commencing trading.

Regulatory authorities in multiple jurisdictions have recently shown a particular focus on enhanced requirements for "appropriateness tests" that regulated firms, such as the Group, must undertake to ensure that customers have the necessary experience and knowledge to understand the risks involved in the financial instruments and services they use. For example, the FCA specifically highlighted a need for additional investigation into promotion and appropriateness tests relating to CFDs in the minutes to a July 2015 FCA Board meeting. In late 2015, the CySEC undertook a series of investigations on Cyprus investment firms ("**CIFs**") and levied administrative fines where the requirements for assessing prospective customers' knowledge and experience had not been properly complied with. The ESMA Q&A sets out specific recommended procedures for assessing appropriateness, which the Group intends to follow. The Group has also recently enhanced the appropriateness tests conducted by Plus500UK and Plus500CY in order to implement the requirements of the MiFID II legislation.

As a result of increased scrutiny on the Group's industry, future changes to applicable rules may also require the Group to publish enhanced risk disclosures or "warning labels" that disclose the risks associated with its product in greater detail than previously undertaken, as well as impose additional restrictions on the Group's ability to offer its product and services to retail clients for whom such product is deemed to be "non-appropriate".

"Appropriateness test" requirements differ in many of the jurisdictions in which the Group's offering is available, and there can be no guarantee that the Group's assessments or tests of a customer's appropriateness for its product will be adequate in all or any particular jurisdictions or will not be subject to regulatory scrutiny or challenge, which could lead to a loss of customers and/or restrict the Group's ability to attract future customers and consequently have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Operating online in different jurisdictions exposes the Group to a number of risks which may have a significant adverse effect on the Group's business and operations

The Group currently accepts customers from various jurisdictions outside the EEA, Australia, South Africa, Israel, New Zealand and Singapore (where it has licences or is otherwise regulated) and allows such Rest of the World customers to execute transactions online. The regulatory and legal framework in these jurisdictions may be complex and can vary significantly. In some jurisdictions where the Group has no physical or regulated presence, it is potentially not clear whether laws or regulations are applicable to the relationship the Group has with its customers or, if they are applicable, the effect of those laws or regulations may itself be unclear.

If the Group decides to accept new customers from a jurisdiction in which it is not specifically authorised, it does so based on its view of: (a) the local legal and regulatory regime in the relevant jurisdiction (in relation to which local legal advice is commonly sought by the Group based on the Group's evaluation of likely exposure); and (b) the Group's estimation of the legal, regulatory and commercial risk in the relevant jurisdiction (including the likelihood of enforcement action being taken against the Group and/or its directors).

The Group has grown rapidly since inception and as part of this growth has, in the past, accepted customers in a limited number of jurisdictions where its offering has subsequently been found to constitute, or was likely to constitute, an offence and the penalties (whether civil, criminal, regulatory or other) against the Group or its directors were unknown. The Group subsequently took measures to mitigate these risks such as obtaining local legal opinions and putting in place blocks for IP addresses registered in restricted jurisdictions it had identified. Although the Group often obtains local legal and regulatory advice in certain jurisdictions, often in the form of legal opinions, there can be no guarantee that these opinions will not be subject to interpretation or to changes to the underlying legislation. In addition, in some jurisdictions, it is not necessarily certain whether laws or regulations are applicable to the relationship the Group has with customers in those jurisdictions (for example, because it is not clear whether the provision of remote online services from outside the jurisdiction would be seen as operating in that jurisdiction for purposes of a licensing requirement) or, if they are applicable, the effect of those laws or regulations may itself be unclear (for example, because the relevant national legislation does not address how territorial application may operate in relation to the provision of remote online services from outside the jurisdiction). It is also possible that changes to the law (or interpretations thereof) or to the Group's business may have occurred since the legal or regulatory position in relation to any particular jurisdiction was reviewed by the Group.

Where it is clear that the Group is unable legally to accept customers from a particular jurisdiction generally or without a licence, the Group has implemented measures designed to ensure that none of its website, its apps or the Trading Platform are available to persons located in that jurisdiction, for example in the United States. There can, however, be no assurance that the Group will in every instance be successful at filtering out customer applications received from persons located in these restricted jurisdictions. Existing customers can travel to a jurisdiction where the Group is not authorised to trade (apart from certain jurisdictions, such as the United States, in which the Trading Platform is blocked) and continue to access the Trading Platform from that jurisdiction. There is also a risk that a customer could mask their IP address to access the Trading Platform from a blocked jurisdiction, for example, by using a virtual private network.

A regulator in a relevant jurisdiction could seek to take enforcement action against the Group for unauthorised trading. Further, although the Group's website, apps and Trading Platform are blocked to certain known restricted jurisdictions (such as the United States), they are accessible from many other jurisdictions in which the Group does not currently actively offer its services and/or in relation to which it has not sought or received advice as to whether or how it is permitted to operate. Whilst the Group has systems in place designed to prevent a customer application from such a jurisdiction being accepted, such systems are subject to human and technological error, and fraud on the part of a customer. In addition, certain of the Group's online marketing channels are accessible in restricted jurisdictions and there can be no assurance that local regulators will not treat the availability of marketing materials as active solicitation of persons in that jurisdiction, which may require licensing. If a customer in such a jurisdiction were to open an account on the Trading Platform, this could subject the Group to legal and/or regulatory action and/or liability in the relevant jurisdiction.

Certain past and present members of the Group have been the subject of warning notices from regulators in various jurisdictions where the Group's offering is available to customers (which, in some cases, were available without necessary authorisations or licences). In particular, so far as the Group is aware members of the Group, including the Company and Plus500UK were variously the subject of a number of notices issued during 2009-2014 by overseas regulators in certain jurisdictions, warning their residents that the Group did not have the required authorisation to operate in those jurisdictions.

Notices of this kind were issued:

- in Greece on 10 June 2009 in respect of the Company;
- in Norway on 17 November 2009 in respect of the Company;
- in Cyprus on 4 December 2009 in respect of the Company;
- in Finland in December 2009 in respect of the Company;
- in Hong Kong in December 2009 in respect of the Company;
- in Slovakia in January 2010 in respect of the Company;
- in Estonia in December 2010 in respect of the Company;
- in Brazil on 12 June 2011 in respect of Plus500UK;
- in Croatia on 27 March 2012 in respect of Plus500UK;
- in Canada (Quebec) in August 2014 in respect of the Company; and
- in Hungary (undated entry) in respect of Plus500UK.

Of the notices listed above, those issued in Norway, Finland, Hong Kong, Slovakia, Estonia, Canada (Quebec) and Hungary have since been withdrawn.

In addition, a regulatory notice was issued in Sweden warning investors to avoid doing business with the Group's Croatia, Hong Kong, Greece and Brazil websites.

Although the Group has not received a financial penalty in connection with the above notices, there is a risk that there may be residual liabilities stemming from these matters, the amount of which may be greater than anticipated and for which the Group may not have made adequate, or any, provision.

Further, the likelihood of the commission of offences (whether civil, criminal, regulatory or other) going forward in certain jurisdictions remains, in particular where the Group accepts a customer from a jurisdiction where it has not previously accepted customers or sought specific local advice. Based on its past experience, the Group currently does not believe that the action which is likely to be taken against the Group in such jurisdictions would be material and, should the Directors' assessment of the position in any jurisdiction change, the Group has the ability to close all customer accounts in such jurisdiction so as to attempt to mitigate risk.

On 17 October 2012, the FCA imposed a fine of £205,128 (reduced for early settlement) on Plus500UK in respect of breaches of the transaction reporting rules in Chapter 17 of the FSA's Supervision manual and Principle 3 of the FCA's Principles for Businesses. Since the 2012 fine, Plus500UK has conducted a full end-to-end review of its transaction reporting procedures, and has appointed Abide Financial, a specialist regulatory reporting provider, to provide transaction reporting services on behalf of Plus500UK.

In the past, the Group has not operated, or may not have operated, and there is a risk that going forward the Group may not operate, in compliance with the laws (whether civil, criminal, regulatory or other) of some of those jurisdictions from which it is possible to access the Group's offering. The governments of certain of those jurisdictions may attempt to regulate the Group's offering or services or take enforcement action, such as bringing prosecutions against the Group or its directors, for violations of relevant laws and regulations. Such circumstances could also result in or contribute to a regulator imposing a sanction on the relevant member of the Group including withdrawal of its regulatory authorisation. Any such action could make it difficult for the Group to obtain or renew any regulatory authorisation or to operate its international business in its current or anticipated form. In addition, the Group or its directors could become liable to administrative, criminal, financial or other penalties in certain jurisdictions in relation to past or future conduct, or could be unable to enforce claims against customers who are nationals or residents of those jurisdictions and/or such customers may be able to claim compensation from the Group for their losses.

Any of the events described above could result in the Group or its directors being the subject of administrative, criminal, financial, regulatory or other action or proceedings and/or could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

The Group may not adequately discharge its obligations under anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations

The Group, along with other market participants, is subject to increasing scrutiny by regulators of its compliance with global anti-money laundering and financial sanctions laws and regulations. In order to discharge its obligations under the anti-money laundering and counter-terrorist financing laws and regulations of the UK and other jurisdictions, the Group is required to perform adequate due diligence prior to accepting each new customer and ensure that it has proper systems and safeguards in place to prevent and detect money laundering and market abuse and comply with international financial sanctions, including, for example, maintaining mechanisms to report sanctions matches to Her Majesty's Treasury and suspicious activity and transactions to the FCA and the National Crime Agency ("**NCA**"), in the UK, reporting suspicious activity and transactions to the Unit for Combatting Money Laundering in Cyprus and submitting suspicious matter reports to the Australian Transaction Reports and Analysis Centre in Australia, detailing any financial activity which it considers to be suspicious. In addition, the Group is required to engage with third parties in the UK and abroad in a manner compliant with the anti-bribery and corruption laws, guided as a rule by the UK Bribery Act 2010, which has extraterritorial effect. While the Group devotes significant time and resources to remain compliant with all relevant anti-money laundering, anti-bribery and corruption and financial sanctions laws and regulations, and the Directors are not aware of any violations of such laws or regulations having occurred by or within the Group, there can be no assurance that its systems and procedures will be deemed compliant with relevant laws, or the laws or standards of other regulators in the jurisdictions where its offering is available, or that individuals will not circumvent the Group's systems and procedures to engage in money laundering, market abuse, bribery and corruption or other prohibited activities. In particular, in a limited number of cases, Plus500CY has in the past sought, and may in the future seek, to verify customer's addresses using non-endorsed means. While such measures have been examined by CySEC, there can be no assurance that the regulator will not determine that Plus500CY's acceptance of other verification materials is improper.

If the Group is deemed to violate applicable anti-money laundering, financial sanctions, market abuse or anti-bribery and corruption laws and regulations, the Group and/or its directors and officers may be subject to financial penalties and/or criminal sanctions, be required to suspend some or all of its customer accounts or cease part or all of its operations, any of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Customer complaints may affect the Group's business and operations

As a routine part of its business, the Group receives occasional complaints from customers who are dissatisfied with certain aspects of the Group's terms of business. In the past, the Group has received some complaints from its customers which have resulted in the Group being required to take certain action, including the payment of compensation to the relevant customer or remedial action to correct system failures. It is highly likely that the Group will receive further customer complaints going forward in the ordinary course of business. There can however be no assurances that material complaints will not arise in the future.

The Group has a complaints handling policy in place; however, if complaints cannot be resolved internally, the customer may be referred to an adjudicator service in the applicable jurisdiction; for example, in the UK, to the UK Financial Ombudsman Service, in Cyprus, to the Financial Ombudsman of the Republic of Cyprus, in Australia, the Australian Financial Ombudsman Service, and in Singapore, the Financial Industry Disputes Resolution Centre Ltd (or equivalent in other jurisdictions) for complaints relating to CFDs. The inability of the Group to resolve customer complaints, or the escalation of customer complaints by regulators could result in negative publicity, fines or other regulatory and legal action against the Group.

A material number of customer complaints could therefore result in the Group incurring significant costs including a requirement to pay a high level of compensation to the relevant customer, could attract negative publicity which could in turn generate further complaints or a regulatory investigation or sanctions, or could affect the Group's reputation, any of which could have a material adverse effect on the Group's business, prospects, financial condition and operating results.

The requirement to maintain regulatory capital may affect the Group's ability to distribute profits and/or restrict expansion which may affect the Group's ability to conduct its business and may reduce profitability

Plus500UK, Plus500CY, Plus500AU, Plus500SG and Plus500IL are required to meet capital adequacy tests in certain jurisdictions (i.e. only countries where they are regulated) in which they offer their services, in order to ensure that the Group has sufficient capital to assist in managing risk from market movements and customer and other counterparty defaults.

Currently, Plus500UK is required to maintain adequate regulatory capital on a unconsolidated (solo) basis. The FCA has wide discretion to change the substantive information it requires in satisfaction of the regulatory capital rules or the basis on which it calculates Plus500UK's regulatory capital requirements, as well as the option to impose individual capital guidance on Plus500UK if it considers the amount and type of capital that it holds to not be appropriate (including in light of the FCA's assessment of the market or operational risks of Plus500UK). Failure to implement the recommendations in the FCA's individual capital guidance (or the failure to increase the regulatory capital held as a result of increasing requirements) could lead to enforcement action being taken against Plus500UK. Plus500UK held, as at 31 December 2017, approximately £24.3 million in regulatory capital, which was in excess of both its regulatory capital requirement (Pillar 1) of £6.9 million and the internally measured capital requirement (Pillar 2) of £17.7 million.

Plus500CY is required to meet certain capital adequacy tests as applicable. Plus500CY is also required to maintain adequate regulatory capital on a solo basis. Failure to meet the respective requirements could lead to enforcement action being taken against Plus500CY. Furthermore, the regulatory capital requirements in Cyprus imposes stringent capital requirements and risk exposure conditions in accordance with Regulation EU 575/2013 on prudential requirements for credit institutions and investment funds and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. Plus500CY held, as at 31 December 2017, approximately €52.8 million in regulatory capital.

Plus500AU is required to meet Australian regulatory capital adequacy tests which require that it has net tangible assets of the greater of AU$1,100,000 and 10 per cent. of its average revenue for the previous three financial years, with at least 50 per cent. held in cash or cash equivalents and at least 50 per cent. held in liquid assets. Plus500AU held, as at 31 December 2017, approximately US$13.8 million in regulatory capital. Failure to meet the regulatory capital requirements could lead to enforcement action being taken against Plus500AU.

Plus500IL is required to maintain adequate regulatory capital on a solo basis in an amount equal to the greater of (a) NIS3,992,000 and (b) an amount determined as a factor of the applicable market, credit and operational risks. Plus500IL held, as at 31 December 2017, approximately NIS13.3 million (US$3.8 million) in regulatory capital. Failure to meet the regulatory capital requirements could lead to enforcement action being taken against Plus500IL, including licence suspension.

Plus500SG is required to meet Singaporean regulatory capital adequacy tests which require that it holds a minimum of S$1,000,000 of regulatory capital. Failure to meet the respective requirements could lead to enforcement action being taken against Plus500SG. As at 31 December 2017, Plus500SG had an issued and paid up share capital of approximately S$2 million, which is in excess of its regulatory capital requirements.

The minimum capital requirements to which Plus500UK, Plus500CY, Plus500AU, Plus500SG and Plus500IL are subject may affect the Group's ability to distribute profits which it would otherwise be permitted to distribute. Any changes to the regulatory capital requirements in any of the jurisdictions in which the Group offers its services could restrict the pace of the Group's expansion or affect the balance of the financial instruments the Group is able to offer and/or the jurisdictions in which it is allowed to offer them. In turn, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Company believes that the Group has sufficient resources to satisfy any increase in regulatory capital requirements and to execute its strategy. The Group does not currently have, nor has it ever had since its inception, any borrowings or financial debt. In the absence of any interest payments and financial covenants or restrictions, the Group is able to retain significant working capital within the Group. However any sustained, unprecedented increases in regulatory capital requirements could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may be held liable for the activities of its affiliates under the "500Affiliates" programme

The "500Affiliates" programme is an extensive affiliates network with approximately 2,000 active affiliates based in numerous different jurisdictions, most of which are located in Europe, who have brought business to the Group to date. Revenue generated from the "500Affiliates" programme accounted for approximately 10.3 per cent. of the Group's total revenue during the financial year ended 31 December 2017 and the Directors consider that it is an integral component of the Group's marketing strategy. The affiliates are primarily website owners and financial bloggers. Affiliates register with the "500Affiliates" programme via the Company's website. Each applicant must be approved by the Group's compliance team before they are able to join the programme. Once the affiliate has been approved they are provided with access to the Company's promotional and marketing tools, affiliate activity reports and the Group's policies and procedures in relation to marketing. Affiliates are only able to refer traffic to the Group's website from third party websites that have been approved by the Group's compliance team. As part of the affiliate registration process, the Group carries out anti-money laundering checks and vets prospective affiliates joining the programme. In addition, once an affiliate has signed up to the programme, the Group has procedures in place designed to monitor their activities. However, the Group cannot guarantee that the affiliates will comply at all times with the Group's relevant policies and procedures and applicable laws and regulation and this could expose the Group to risks associated with the activities of affiliates who advertise the Plus500 brand (including in connection with bribery and corruption), which in turn could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

Further, the Group has not investigated the local laws and regulations which may apply to its affiliates' activities or the relationship between the Group and its affiliates, and the Group has limited visibility or control over whether the affiliates are conducting their advertising activities in accordance with such laws and regulations. There is a risk that liability for activities of affiliates which are in breach of local laws and regulations could attach to the Group and result in civil, criminal, regulatory or other penalties being imposed upon the Group or its directors, or that such activities could result in or contribute to action being taken against the Group by a regulator in any relevant jurisdiction. There is also a risk that activities of affiliates could result in adverse tax, legal or regulatory consequences for the Group or that the application of laws and regulations in any jurisdiction (for example, in connection with the Directive 86/653/EEC which deals with the relationship between commercial agents and their principals) could imply certain terms into the relationship between the Group and its affiliates which could have a material adverse effect on the Group's business, financial condition and operating results.

It should also be noted, as has been discussed above, that the MiFID II legislation imposes restrictions upon the payment of inducements to, or receipt of inducements from, third parties. It is not currently anticipated that the new restrictions will apply to the fixed-fee arrangements under which the Group remunerates its affiliates. However, as the MiFID II legislation has only recently entered into force, the extent of its interpretation and application is still developing, as are the consequences of its application. As such, there is a risk that this may impact the extent and availability of the 500Affiliates programme to the Group (or at least to Plus500UK and Plu500CY) which could have a material adverse effect on the Group's business, financial condition and operating results.

Laws, regulations or rules in the jurisdictions where the Group operates, or where its offering is available, could result in customer agreements being deemed unenforceable as against the customer

The Group's retail customers are classified as "consumers". The Group is required to comply with UK consumer protection laws such as the Consumer Rights Act 2015 (in respect of customer agreements entered into on or after 1 October 2015) and the Unfair Contract Terms Act 1977 and the UTCCR (in respect of customer agreements entered into before 1 October 2015) and equivalent laws in, for example, Cyprus, namely Law 93(I)/1996, and Singapore, namely the Singapore Unfair Contract Terms Act, breach of which could result in the Group being subject to regulatory sanctions, receiving customer complaints and claims for losses, and not being able to enforce contracts against its customers. Similar consumer protection laws in other jurisdictions could have the same result. Any such events would damage the Group's reputation and impact its business, financial condition and operating results. Further, the contract in place between the Group and a customer may be deemed void or unenforceable in certain jurisdictions if construed as a contract for gambling or betting or otherwise contrary to public policy. There is therefore a risk that customers who have executed a trade on the Trading Platform could later demand to recover any funds they have lost as a result of such trade. If such claims were successful, this could have a material adverse effect on the business, financial condition and operating results of the Group.

The Group must comply with data protection and privacy laws and may be targeted by cybercriminals

The Group's operations are subject to a number of laws relating to data privacy, including the United Kingdom's Data Protection Act 2018, the Privacy and Electronic Communications (EC Directive) Regulations 2003 and the e-Privacy Directive, as well as other relevant EEA and non-EEA data protection and privacy laws and equivalent legislation in, for example, Australia and Singapore. The requirements of these laws may affect the Group's ability to collect, use and transfer personal data relating to its customers and others, and also to plant and use cookies in a way that is of commercial use to the Group if the Group does not ensure its adherence to appropriate compliance procedures. In addition, the European Union has now adopted a new General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**"), which came into force on 25 May 2018, and Israel has now adopted a new Privacy Protection Regulations (Data Security) 2017 ("**PPR**"), which is also due to come into force in 2018, which is likely to result in a greater compliance burden for the Group in relation to its operations in Europe and Israel respectively. The Group took steps to prepare for the implementation of GDPR and PPR but there is a risk that such measures may not be deemed sufficient in order to comply with the regulation or regulatory guidance.

In Singapore, the Personal Data Protection Act 2012 ("**PDPA**") applies to organisations (save for public agencies and certain specified exceptions) to the extent that they collect, use or disclose personal data in Singapore, regardless of the relevant organisation's size. An "organisation" is defined broadly under the PDPA as including any individual, company, association or body of persons, corporate or unincorporated, and whether or not formed or recognised under the laws of Singapore, resident or having an office or place of business in Singapore, such that the PDPA applies not only to Plus500SG but extraterritorially to all members of the Group to the extent that they collect, use or disclose personal data in Singapore.

Breach of data privacy legislation could result in the Group being subjected to claims from its customers that it has infringed their data privacy rights, and it could face administrative proceedings (including criminal proceedings) initiated against it by the data protection regulator of the relevant jurisdiction in which the Group's offering is available. In addition, breaches together with any enquiries made, or proceedings initiated by, individuals or any of such regulators may lead to negative publicity and potential liability for the Group, which could materially adversely affect its business.

In addition, there can be no assurance that the Group's systems will not be subject to disruption by cybercriminals or other security breaches, which could expose the Group to liability and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Financial promotions regimes and other regulations may impact on the Group's ability to advertise

The Group is reliant on a variety of marketing channels to advertise its business and increase its customer base. However, in certain jurisdictions, including in the EEA, the promotion of investment activities is regulated, which restricts the manner in which the Group may advertise in that jurisdiction. Certain jurisdictions have also introduced additional marketing restrictions that specifically relate to the advertising of CFDs. For example, Belgium and France have each introduced prohibitions in respect of the marketing of certain types of CFD.

Whilst the Group has in place certain policies designed to ensure that all promotional materials are subject to review and approval (in accordance with, for example, UK and Cyprus laws and regulations regarding the promotion of investment activities) before being released, such policies are subject to, and have in the past been affected by, human error and technological failure, although in the past this has had no material impact on the Group. There can also be no assurance that compliance with, for example, EEA laws and regulations regarding the promotion of investment activities will mean the Group is in compliance with local laws and regulations outside the EEA. Further, restrictions or requirements imposed by third party providers of online marketing services (such as word counts), or malfunctions or "bugs" in the software or systems of such third parties, have in the past resulted in certain financial promotions released by the Group not being in compliance with laws and regulations and there is a risk that this will continue going forward.

Any non-compliance with laws or regulatory requirements relating to financial promotions could subject members of the Group or its directors and/or employees to disciplinary action, criminal penalties, civil lawsuits and/or fines. The Group has been, or may have been, in breach of the laws and regulatory requirements regarding the promotion of investment activities in some of the jurisdictions in which it advertises and there can be no assurances that the Group will be in full compliance with, or will not breach, these applicable laws and regulations going forward.

In the UK, in the period 2012 to 2015 the FCA notified Plus500UK of a number of breaches of the UK financial promotions regime. In light of the breaches in 2012-2013, a former director of Plus500UK was required, in November 2013, to provide and did provide an attestation to the FCA in respect of Plus500UK's financial promotions compliance. In connection with the second VREQ provided by Plus500UK in May 2015, the FCA required Plus500UK's CEO to provide a second attestation, in September 2015, in respect of Plus500UK's financial promotions compliance. Plus500UK has since significantly enhanced its financial promotions controls, including by strengthening its financial promotions team in terms of both numbers and expertise, and by improving the design, review and sign-off process for financial promotions.

Further, there is a heightened risk of a regulator imposing a sanction on the relevant member of the Group as a result of repeated instances of non-compliance with the financial promotions, or similar, regime. Any such action could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

No assurance can be given that new laws, rules or regulations will not be enacted, or existing requirements applied, in a manner which would restrict or curtail the Group's current advertising activities (including its offline marketing channels and its use of third party affiliates for advertising). For example, the PRIIPs Regulation has been recently implemented and has resulted in additional documentation being provided to retail clients in relation to the CFDs offered by the Group in the European Union. In addition, as described above, on 27 March 2018 ESMA announced that it had agreed to make use of its product intervention powers in relation to the sale of CFDs, binary options and other speculative products to retail investors. In particular, on 1 June 2018 ESMA imposed measures to restrict the marketing, distribution or sale of CFDs to retail clients taking effect from 1 August 2018. Any further restrictions on the Group's ability to advertise in a particular jurisdiction or jurisdictions could have a material adverse effect on the Group's business, financial condition and operating results.

The Group is subject to rules regulating how it holds client money

Various regulators in the jurisdictions in which the Group's offering is available require regulated entities, such as the Group, to institute systems for ensuring that client money is segregated from that of the regulated entity. The Group holds client money in segregated bank accounts at the subsidiary level in accordance with applicable regulatory requirements. The relevant client money rules have been subject to recent changes requiring firms to re-evaluate the way they deal with client money. The rules facilitate different approaches to ensuring the segregation and safekeeping of client money.

There have been a number of enforcement cases relating to client money rule breaches on other grounds that have resulted in large fines for financial services firms. The CySEC has also suspended the authorisation of certain CIFs where it has had reason to believe that customer's ownership rights in relation to their funds and/or financial instruments, held by the firms on their behalf, have not been properly safeguarded. In Australia, ASIC has imposed additional conditions on the licences of financial services firms where it has found that those firms have breached the relevant client money rules.

In addition, regulators in other jurisdictions in which the Group's offering is available are also increasingly focused on client money regulation and tightening rules relating to customer money segregation. Any fines imposed on the Group by the FCA or any other regulator, or the inability of the Group to address future changes to any applicable customer money regulations could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group is dependent on banks, credit card companies, payment processors and financial institutions for payment processing and cash holding

The Group is currently dependent on a number of banks and financial institutions to receive and make payments and hold its, and its customers' cash. Banks regularly review their policy of providing financial services, such as loans, debit and credit card processing and cash handling, to companies operating in certain sectors, including the CFD sector, and a bank may decide (or may be required by its regulator to determine) that it no longer wishes to accept custom from, or provide services to, companies operating in such sectors, or may only continue to do so subject to certain restrictions. Should any bank refuse or otherwise be unable to make and receive payments, operate bank accounts or hold cash for the Group this could have a material adverse effect on the Group's business, financial condition and operations.

Furthermore, the Group's business is dependent on banks, credit card companies, payment processors and other financial institutions, networks and suppliers to enable funds to be paid in and withdrawn by its customers. Any disruption in those systems or relationships (for example, due to force majeure events, cybercrime or fraud, or insolvency of the bank, credit card company or payment processor) could have a material adverse effect on the Group's business, financial condition and results of operations.

The introduction of a European Financial Transaction Tax ("EU FTT") could adversely affect the Group's profitability.

In February 2013, the Council of the European Union adopted a decision authorising eleven Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain) (the **"Participating Member States"**) to proceed with the introduction of the FTT. The directive, as currently drafted, could give rise to tax charges to parties in countries outside of the eleven Participating Member States. The tax would broadly apply to all transactions in financial instruments, including equities, bonds, derivatives and foreign currency to which a financial institution (which would include banks, investment firms, insurance companies, leasing companies, mutual funds and pension funds) is a party if one or more of the parties is established in a Participating Member State.

The European Commission has published two versions of legislative proposals for the EU FTT (in September 2011 and February 2013). It is unclear which version or aspects of the draft EU FTT legislation will be implemented, and neither the scope nor the implementation date of the EU FTT have been finalised. Both the 2011 and 2013 proposals contemplate that each EU FTT participating country will set its rate of EU FTT, with minimum rates for transactions relating to derivatives contracts set at one basis point.

The Court of Justice of the European Union issued a decision in April 2014 rejecting the UK government's initial legal challenge against the proposed introduction of the EU FTT in Europe. Subsequent to this decision, ten of the Participating Member States issued a joint declaration reiterating their support for the EU FTT and indicating that the initial phase of the EU FTT would be implemented by 1 January 2016. Implementation has now been postponed again, and the EU FTT is considered unlikely to come into force before 2019 at the earliest.

Due to the lack of consensus amongst the Participating Member States and the lack of momentum in its implementation, the impact that the EU FTT may have on the business remains uncertain. However, the adoption of the EU FTT could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Changes in tax law could adversely affect the Group's profitability

The Group and its customers benefit from CFDs' exemption from UK stamp duty and stamp duty reserve tax ("**SDRT**"). The taxation of online activities and the types of product that the Group markets continues to be evaluated and developed by tax authorities in many of the jurisdictions in which the Group has customers, and tax authorities may seek to impose taxation on the Group's activities (either on the Group or its customers) greater than the tax, if any, that has been imposed to date.

The adoption of any reform of or amendment to applicable tax legislation, including applicable tax reporting legislation, such as that relating to the recognition of tax losses, or any other change in the manner in which applicable tax laws are interpreted or enforced could impact customers' demand for the Group's offerings or reduce its profit, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S TRADING ACTIVITIES

If the Group fails to attract New Customers its growth may be impaired

If the Group does not attract New Customers, its profitability and growth may be materially impaired. Although the Group has spent significant financial resources on its proprietary marketing software and online marketing techniques as well as more traditional advertising and branding efforts, and plans to continue to do so, there are no assurances that these efforts will continue to be cost effective in attracting New Customers. For example, filter software programmes that negatively impact internet advertising may limit or prevent the Group's advertisements or other communications from being delivered to potential New Customers.

The Group faces risks associated with the implementation of its business strategy

The implementation of the Group's strategy is subject to a number of risks, including operational, financial, macroeconomic, market, pricing and technological challenges. For example, the Group's strategy involves penetrating into new geographies, increasing momentum in Western European countries and Australia, launching new financial instruments, increasing ARPU and ROI and expanding its affiliate network. There can be no guarantee that the Group will be able to achieve these goals within the timescale envisaged, or at all.

Implementing the Group's strategy will also require management to make complex judgments, including anticipating customer trends and needs across a range of financial instruments as well as structuring and pricing its offering competitively. There also can be no guarantee that the Group's technological infrastructure will be adequate to support its planned growth, or that the Group will be able to successfully augment its systems if required in a timely manner, or at all. The inability of the Group to implement its business strategy for any of these reasons could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group faces significant competition

The online financial trading business in which the Group operates is very competitive. The Group expects competition to continue to intensify in the future. Certain competitors or potential competitors of the Group may have greater financial, marketing, technological and personnel resources than the Group possesses, or they may be subject to substantially less regulatory oversight and control than the Group. These factors may enable them to:

- develop new offerings that compete with those of the Group;
- increase their market share through acquisitions of other competitors or organic growth;
- price their offering and services more competitively or aggressively;
- provide better execution to their customers;
- provide a more comprehensive and efficient trading platform;
- more effectively market, promote and sell their offerings and services;
- better leverage existing relationships with customers and partners or exploit better recognised brand names to market and sell their services; and
- carry out their business strategies more quickly and effectively than the Group.

The Group's ability to maintain and enhance its competitiveness will have a direct impact on the results of its operations. In addition, even if existing or new entrants do not significantly erode the Group's trading volume, the Group may be required to change its pricing policy significantly to remain competitive, and as a result, its profitability may be pressured by prices on similar products quoted by competitors, which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Reduction in trading volume and market activity and low market volatility could harm the Group's profitability

Demand for the Group's offering can vary due to factors outside of the Group's control. Periods of high volatility in financial markets can increase customer demand for the Group's offering. Conversely, in periods of low market volatility, customer activity can decrease due to a perceived lack of attractive trading opportunities for customers.

Heightened market volatility typically leads to increased market news which, in turn, drives higher trading volumes, as most market participants will increase trading activity in reaction to major markets news events such as economic reports. Conversely, low market volatility in the financial markets is subject to less market commentary and investment news and trading volume reduces as a result.

The Group's business is primarily transaction-based, and reductions in its activity volume may therefore harm its profitability. Declines in market volatility and trading volumes generally result in lower revenues from customer trading activities. Accordingly, the Group's revenues and profitability are likely to decline significantly during periods of low trading volume and/or low volatility in the global financial markets. Conversely, high volatility in the global financial markets generally leads to greater trading volume on the Group's Trading Platform.

In addition to a reduction in major market news, any one of the following factors, among others, may cause a substantial decline in the trading volume of the financial markets in which the Group's offering and services are available, which would have a material adverse effect on the Group's business, financial condition and operating results: new laws, rules or regulations, the volatility of interest and foreign currency exchange rates and equity and commodity markets, general economic factors, declines in the disposable income of the Group's customers, geopolitical developments, war, natural disasters and terrorism.

Legislative and regulatory changes that may result in lower trading volumes include ESMA's use of its MiFID II product intervention powers in the retail CFD sector, as well as the specific restrictions introduced in relation to the marketing, distribution and the sale of CFDs on cryptocurrencies.

On 27 March 2018, ESMA announced that it had agreed to make use of its MiFID II product intervention powers in relation to the sale of CFDs and binary options to retail investors. Final rules were published on 1 June 2018 and ESMA has restricted the marketing, distribution and sale of CFDs to retail clients with effect from 1 August 2018. The Group expects that the ESMA measures will have an effect on revenue from customers in the EEA in the short term, specifically as regards the growth in these revenues which may not increase at the same level as they would have done had the ESMA measures not been introduced which the Group has factored into its financial projections for the current financial years, although the Company expects that this will be mitigated by the Group attracting more customers both in the EEA and other customers from outside of the EEA.

The Group's financial results for the three month period ended 31 March 2018 showed an increasing level of revenue generated from outside of the EEA. For example, revenue generated from customers in Switzerland, Australia, South Africa and New Zealand accounted for approximately 12 per cent. of the Group's total revenue during the financial year ended 31 December 2017 compared to approximately 17 per cent. of the Group's total revenue for Q1 2018. In addition, Plus500SG was not operational during the majority of the financial year ended 31 December 2017. As a result, non-EEA generated revenue is expected to increase even further for the current financial year ending 31 December 2018. The Company believes that this can be further mitigated by providing those of its customers in the EEA that wish to trade on higher margin, the option of applying for an EPC account, such application being subject to approval by the Company and the customer meeting the relevant regulatory requirements (including the guidance on client categorisation issued by ESMA in its Investor Protection Q&As). Plus500UK and Plus500CY began evaluating their customer bases regarding EPC status in February 2018 and consider that across the Group 12 per cent. of its customers in the EEA may be eligible for EPC status. Given that this 12 per cent. generate in aggregate approximately 75 per cent. of the revenue at EEA level, the Board believes that the Group is in a strong position to maintain revenue from those customers given its EPC offering.

As a result, the Directors believe that the ESMA measures will not fundamentally change Plus500's business model.

The Group derived less than 15 per cent. of its total revenue for the financial year ended 31 December 2017 from CFDs referenced to cryptocurrencies. The Company expects that the ESMA measures, particularly the lower leverage limits on cryptocurrencies, will also have an effect on this revenue stream.

The Directors further believe that the Group has a flexible business model and already provides many of the protections considered by ESMA. For example, the Group's Trading Platform has "circuit breakers" such that customers' open positions are automatically closed when the margin on their trading account reaches zero. In exceptional instances, where the market in an underlying instrument has been extremely volatile with extreme movements, the Group's automatic "circuit breaker" mechanism may not be activated immediately, which may result in a customer's balance becoming negative. However, the introduction of certain restrictions, including the imposition of potentially stricter leverage limits, could require the Group to modify its operations which could have an adverse effect on the Group's business, prospects and overall profitability.

Regardless of market volatility, there can be no assurance that demand for the Group's products will grow or continue at current levels. If products other than CFDs become preferred alternatives for customers, for example, due to negative publicity, political factors, changes in law or regulation that impose restrictions on their trading or tax treatment, or for any other reason, the Group's business would be significantly affected. Ongoing financial instability has also had, and may continue to, have a material adverse effect on the world economy, consumers and financial market participants. These or similar events have in the past increased or prolonged, and may in the future increase or prolong, negative economic conditions which could have a material adverse effect on the Group's business, financial condition and operating results.

Political and economic events within Europe may harm the Group's operations

The Group generates the majority of its revenue from customers in Europe, which in aggregate accounted for approximately 76 per cent. of the Group's revenue in the financial year ended 31 December 2017. The occurrence of any negative political or economic events within Europe could result in significant revenue shortfalls which could cause the Group's business to be harmed. Such events could include the collapse of the Euro as a currency, the break-up of the eurozone or the withdrawal or removal of another existing Member State from the European Union.

Any significant decline in the market for CFDs could significantly harm the Group's business

The Group is dependent for its revenue and profits on trading volume from CFDs. While the Group expects that the market for CFDs will grow in coming years, there can be no assurance that, in the future, other products may not serve as a preferred alternative to CFDs or that other factors will not prevent the growth of the market for CFDs. If the market for CFDs does not continue to grow in accordance with the Group's expectations, the future growth and expansion of the Group may not be successful. For example, should a change of law or regulation in any of the jurisdictions in which the Group's offering is available mean that restrictions of a material nature are imposed in respect of trading in CFDs (in the same way as, for example, gambling contracts are restricted or prohibited in certain jurisdictions or by the imposition of limits on the amount of leverage permitted with respect to CFDs) this could significantly reduce the market for CFDs in the relevant countries. Any such decline in the market for CFDs which is significant would have a material adverse effect on the Group's business, financial condition and operating results.

Any significant decline in the cryptocurrency market could significantly harm the Group's business

The Group was also among the first CFD providers to offer its customers the opportunity to trade CFDs on emerging financial instruments, such as Bitcoin and has, more recently, added to its offering the opportunity to trade CFDs on cryptocurrencies such as Bitcoin Cash, Ethereum, Litecoin, Ripple, NEO and IOTA.

The increasing profile, prices and volatility of cryptocurrencies has led to increased trading in these alternative currencies as many traders have sought to participate in the cryptocurrency market. As a result, the Group has recently seen increasing revenues from CFDs referenced to cryptocurrencies.

There is a risk that macroeconomic and geopolitical factors aligned against cryptocurrencies could lead to a downturn in the cryptocurrency market and this could result in a decline in customer demand for CFDs references to cryptocurrencies and therefore the Group may not derive as much, or any, revenue from this source in the future. Any such downturn in the cryptocurrency market could have a material adverse effect on the Group's business, financial condition and operating results.

The Group's customer, geographical and product sector focus could leave the Group exposed to certain concentration risks

The Group generates the majority of its revenue from customers in Europe, which in aggregate accounted for approximately 76 per cent. of the Group's revenue in the financial year ended 31 December 2017. Given that the majority of the Group's revenue is derived from one geographic region, the occurrence of, amongst other things, legislative changes, regulatory interventions or geopolitical or economic events within that region could leave the Group overly exposed to material adverse effects on the Group's business, financial condition and operating results arising from any such occurrence.

In addition, the Group's customer base comprises of retail customers only rather than institutional traders. Given that continued regulatory interventions affecting the CFD industry are likely to seek to protect retail clients (including, for example, ESMA's final product intervention measures in relation to CFDs, binary options and other leveraged products offered to retail clients) as has been the case historically, the fact that the Group's business is focused on the retail market only creates a market concentration risk and could leave the Group further exposed to any material adverse effect on its business, financial condition and operating results arising from such intervention or similar.

Furthermore, since the Group is focused solely on the provision of CFDs and does not offer financial spread betting, traded options or other speculative products, it is exposed to a product concentration risk which is likely to amplify any material adverse effect on the Group's business, financial condition and operating results arising, for example, from a reduction in the market for CFDs triggered by a change of law or regulation in any of the jurisdictions in which the Group's offering is available and any resulting imposition of restrictions on trading in CFDs.

The Group may suffer losses if its reputation is harmed

The Group's ability to attract and retain customers and employees may be materially adversely affected to the extent its reputation is damaged. Issues that may give rise to reputational risk include, but are not limited to, failure to deal appropriately with legal and regulatory requirements in any jurisdiction (including as may result in the issuance of a warning notice or sanction by a regulator or the commission of an offence (whether civil, criminal, regulatory or other) by the Group or any of its directors), money-laundering, bribery and corruption, factually incorrect reporting, staff difficulties, fraud (including on the part of customers), technological delays or malfunctions, the inability to respond to a disaster, privacy, record-keeping, sales and trading practices, the credit, liquidity and market risks inherent in the Group's business and the activities of the Group's affiliates (signed up under the "500Affiliates" programme). For example, the Group has from time to time received complaints from customers who are dissatisfied with certain aspects of the Group's terms of business. If the Group fails, or appears to fail, to deal with or settle any such complaints effectively or deal with other issues that may give rise to reputational risk or if it fails to retain customers for any other reason, it could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

In addition, the activities of individuals or entities attempting to pass themselves off as associated with the Group, or otherwise falsely advertising or promoting the Group, could cause reputational damage to the Group, which could impact the Group's business, financial condition and operating results. For example, on 26 April 2012, the FCA published a warning notice that an unauthorised entity known as "Plus 500 UK" and individuals associated with it had been attempting to pass themselves off as Plus500UK and its directors; no action was taken against the Group in respect of such warning notice. The Group has no ability to monitor or control the activities of any such third parties.

Similarly, actions by other businesses operating in the same industry, whether legitimately or not, may lead to a negative impact on the CFD industry as a whole. Any such actions may be outside the Group's control and could have a material adverse effect on the industry's reputation and the market for CFDs and, in turn, the Group's reputation, business, financial condition and operating results.

The Group depends on its senior management team, and if it is unable to retain its current personnel and hire qualified additional personnel, its ability to implement its growth strategy and compete in its industry could be harmed

The Group's future growth and success depends, in part, upon the leadership and performance of its management team, many of whom have significant experience in the technology sector and would be difficult to replace. In particular, the Group is highly dependent on the continued services of the Chief Executive Officer, the Chief Financial Officer, other members of the Group's Senior Management and other key employees, including technical personnel and compliance officers. The agreements in place with certain members of the Group's management team allow the relevant individual to resign from the Company upon between 30 days' and 90 days' notice period. The loss of any members of the Senior Management or other key employees, the inability to recruit sufficient, qualified personnel, or the inability to replace departing employees in a timely manner could have a material adverse effect on the Group's ability to run its business and, accordingly, on its financial condition and operating results.

Financial risk limitation policies, procedures and practices may not be effective and may leave the Group exposed to certain risks

The design and implementation of the Group's policies, procedures and practices used to identify, monitor and control a variety of financial risks may fail to be effective. The Group's financial risk limitation methods rely on a combination of internally developed technical controls, industry standard practices, observation of historical market behaviour and human supervision. These methods may not adequately prevent future losses, particularly to the extent they relate to extreme market movements, which may be significantly greater than the historical measures indicate.

The design and implementation of the Group's financial risk limitation procedures and practices are subject to human error, technological failure and fraud, although none of these have to date been material. There can be no assurance that the Group will set financial risk limitation parameters accurately, that its testing and quality control practices will be effective in preventing technical software or hardware failure or that its employees will accurately and appropriately apply the Group's financial risk limitation procedures. Any failures in this regard could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

Losses due to fraud and other misconduct by customers could have a material adverse effect on the Group's business

The Group is also exposed to potential losses due to fraud and other misconduct by customers. For example, customers or people impersonating customers may engage in fraudulent activities, including improper use of legitimate customer accounts (as has occurred in the past) and the use of a false identity to open an account. Such activities may be difficult to prevent or detect and the provisions of the Group's customer agreements and other contractual arrangements that are intended to protect the Group against such risks and losses may fail to be effective. The Group may not be able to recover the losses caused by such activities or events and any such losses could have a material adverse effect on the Group's business, financial condition and operating results.

A reduction in the availability of credit and debit cards and alternative payment systems for customers of the Group's operations and/or complaints to credit and debit card providers and alternative payment system processors could damage the Group's business

The Group currently accepts credit and debit card payments from customers and payments from customers through alternative payment processors such as PayPal, Skrill and GlobalCollect. Certain US-based card issuing institutions now require online gambling merchants to affix codes to bank card transactions involving payments related to online gambling. The codes permit the issuing banks to refuse to authorise or otherwise block transactions related to online gambling. It is possible that, in future, other major card issuing institutions may restrict the use of credit and debit cards in respect of online trading of CFDs and this may result in a reduction in the availability of credit cards as a payment alternative for the Group's customers, which could have a material adverse effect on the Group's business and/or operating results.

In addition, customers may complain to the credit or debit card provider or payment processor that they have not received the product or service for which they have paid for by these means. In such circumstances, the provider typically withholds payment from the relevant supplier until the complaint is resolved. In addition, payment processors typically withhold 10 per cent. of funds. In the event of the insolvency of payment processors, the Group may not be able to recover all or any of such withheld payments. In addition, regulators may in the future limit the use of credit cards for the purchase of the Group's product. Payments by these means, therefore, expose the Group's business to the risk of cancelled transactions, which could have a material adverse effect on the Group's reputation, business, financial condition and/or operating results.

The Group is exposed to litigation risk

Due to the extent and complexity of the regulatory environment in which the Group's offering is available, many aspects of the Group's business involve significant risks of liability. In recent years, there has been an increasing incidence of litigation involving the financial services industry. The Group also faces potential liability for claims of fraud, negligence, violation of securities laws, privacy (including "anti-spam") laws, and claims based upon the content that the Group distributes online (either directly or through its affiliates). Litigation risk also typically increases following large-scale volatility or disruptive events in the financial markets.

The Group's insurance may not be adequate to protect it against all liability that may be imposed. As a result, litigation brought in the future against the Group could have a material adverse effect on its business, prospects, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S TRADING SYSTEMS

Systems failures or delays could materially harm the Group's business

The Group's operations are highly dependent on technology and communications systems, including the internet. The efficient and uninterrupted operation of the systems, technology and networks on which the Group relies and its ability to provide customers with reliable, real-time access to its product and services is fundamental to the success of the Group's business. Any damage, malfunction, failure or interruption of or to systems, networks or technology used by the Group (including the automatic trading limits and other limits built into the Trading Platform) could result in a lack of confidence in the Group's services and a possible loss of existing customers to its competitors or could expose the Group to higher risk or losses, with a consequential material adverse effect on the Group's operations and results. If the Group's connection to the internet is interrupted or not available, the Group may not be able to provide customers with its product and services.

The Group's systems and networks may also fail as a result of other events, such as:

- fire, flood or natural disasters;
- power or telecommunications failure;
- cybercrimes, including security breaches or denial of service attacks;
- viruses or defects in the Group's software or hardware; or
- acts of war or terrorism.

From time to time, the Group introduces architectural and other upgrades to its existing systems and problems implementing any such upgrade may lead to delays or partial or total loss of service to the Group's customers in any or all of the jurisdictions in which the Group's offering is available and to short-term interruption to the Group's business. These types of events could expose the Group to potential liability and could have a materially adverse effect on the Group's business, financial condition and operating results.

The Group has disaster recovery procedures in place which involve data held in its network being automatically backed up every few minutes with the backups being transported offsite once a week for additional security. The disaster recovery site benefits from the same state-of-the-art technologies which remains separate from the production site and is synced, so that it constantly receives data from the production site, which minimises the efforts and timeframe for the commencement of the disaster recovery procedures. Employees of the Group are also able to work remotely from any location in the world via secure virtual private network connections. The offsite data is retained for a period of four weeks. Whilst such procedures are intended to mitigate the effects of events such as those listed above on the Group's business, there can be no assurance that such policies can account for and protect against all eventualities or that they will be effective in preventing any interruption to the operations and systems of the Group. Whilst to date there has been no significant malfunctioning of the Group's technology and systems, any such events could result in a lack of confidence in the Group's services, a possible loss of existing customers to its competitors and potential liabilities, with a consequential material adverse effect on the Group's operations and results. In addition, financial services regulators expect that systems will be resilient and able to handle unexpected stresses. Any failure of the Group's systems could result in the FCA, the CySEC, ASIC, the ISA, the FMA, the FSCA or the MAS (or any other applicable regulator) taking regulatory enforcement action against the Group.

Network security breaches could result in the Group losing customers and being held criminally or civilly liable

The Group relies on its systems and the security of its network for the secure transmission of confidential information such as customers' credit card details, address, occupation or salary, or the details of the product and services used, which is a critical element of the Group's operations. Whilst the Group has not experienced any known significant network security breaches to date, any such occurrences (whether due to systems malfunction, unauthorised access being gained by persons who circumvent the Group's security or otherwise) could result in the Group's current customers ceasing to do business with the Group and the Group being held criminally or civilly liable, which, in turn, could have a materially adverse effect on the Group's reputation, business, financial condition and operating results.

In order to compete effectively, the Group must keep up with rapid technological changes and changes in its customers' requirements and preferences

The online trading industry is characterised by rapid technological changes and evolving industry standards. Customers constantly demand more sophisticated financial instruments and services and customer preferences change rapidly. To remain competitive, the Group must continue to innovate, further enhancing and improving the responsiveness, functionality, accessibility and other features of its Trading Platform. The success of the Group depends on its ability to anticipate and respond to technological changes and customer preferences in a timely and cost-effective manner. There can be no assurance that the Group will be able to effectively anticipate and respond to technological changes and customer preferences in the future. Failure to do so could have a material adverse effect on the Group's business and operating results.

The Group is partially dependent on third parties, including infrastructure suppliers, data providers and data sources, and online marketing service providers

The Group's business depends on the capacity and reliability of its network infrastructure, to a certain extent provided by third party suppliers such as telecommunications operators that transmit the Group's traffic over local and wide area networks and the internet and online identity intelligence specialists. If any of these suppliers were unable to fulfil the terms of their contracts for any reason or if they terminated their contracts with the Group and the Group could not replace them with alternative suppliers in a timely fashion and on favourable commercial terms, it could impair the quality of, or make it impossible for the Group to deliver, its own product and services. Any such event could have a material adverse effect on the Group's business, financial condition and operating results.

In addition, the Group is dependent upon third party data providers and, in some cases, underlying data sources such as stock and commodities exchanges, to supply real-time market prices and other information necessary for the operation of its business in consideration for licence fees paid to them by the Group. There is no guarantee that any of these providers or underlying data sources will be able to adequately expand these services to meet the Group's needs or to continue to provide these services in an efficient and cost-effective manner going forward. In addition, there is no guarantee that current licence fees are any indication of the future fees that may be levied by such providers or underlying data sources and going forward there may be material increases in current licence fees, an imposition of new licence fees, a refusal to grant a licence or restrictions may be imposed by these providers of information. Any such occurrences, or any termination of a contract by a third party data provider or data source, could have a material adverse effect on the Group's business, financial condition and operating results (and certain third party data providers or data sources are able to terminate their arrangements with the Group on very short notice periods).

Further, there is no guarantee that third party data providers will not experience technical difficulties of their own leading to, for example, temporary unavailability of data or delays to the transmission of information to the Group. Any such technical failures by third party data providers could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

The Group is reliant to a certain extent on third parties providing online marketing services. Any increase in the cost of online marketing channels, a change in the Group's marketing methodology, termination of a contract by one of the few key providers of online marketing services to the Group (such as Facebook, Google or Twitter), including as a result of a breach of contract by the Group, or a change to one of the key provider's advertising policies to restrict the advertisement of CFDs (including, for example, advertisements for third party affiliates) could adversely affect the Group's ability to achieve its advertising objectives and consequently its business, financial condition and operating results.

For example, in January 2018 Facebook announced a ban on all cryptocurrency related advertisements on its platform and in March 2018 Google announced that it will update its financial services policy in June 2018 to restrict the advertisement of speculative financial products including, amongst others products, CFDs in jurisdictions where the relevant advertiser does not have a specific licence for such products. Google also intends to restrict advertisements from third party affiliates of such CFD providers. Consequently, CFD providers (and their affiliates) will be required to be certified by Google before they can advertise; there can be no guarantee that the Group will satisfy Google's certification requirements (on behalf of itself and the relevant affiliates in the "500Affiliates" programme). In March 2018, Twitter also added a new policy in respect of advertisements relating to cryptocurrencies under which the advertisement of cryptocurrency initial coin offerings and cryptocurrency token sales are prohibited globally and advertisements relating to cryptocurrency exchanges and wallets restricted to providers that are publicly listed on major stock exchanges. The Group has received confirmation from Twitter that its advertisements will not be subject to Twitter's restrictions on the basis that the Company is publicly listed on a designated major stock exchange (i.e. AIM).

The terms on which the Group has contracted with certain customers, affiliates and suppliers may not be standard

Due to its fast-growing nature, the terms on which the Group has contracted with customers, affiliates and suppliers have differed over time and therefore the contracts in place with certain customers, affiliates and suppliers may not be on standard terms across the Group. In some cases, the terms of the relevant contract may not achieve, for example, the intended certainty, flexibility or protection for the Group or the contract may not be otherwise enforceable against the counterparty. In addition, the terms of such a contract, a claim against the Company under such a contract or the termination of such a contract by the relevant counterparty could adversely affect the Group's business, financial condition and operating results.

Any inability of the Group to protect or continue the current use of its proprietary intellectual property could adversely affect its business

The Group's proprietary intellectual property is key to its business and the Group's success depends on its ability to maintain protection of its intellectual property rights and to operate without infringing the proprietary rights of third parties. The Group may be unable to successfully protect its intellectual property rights.

The Group has not filed any patent or other applications or registrations covering its software. Therefore, the Group seeks to protect the proprietary software developed by its key employees (in the course of their employment with the Group) by including relevant provisions in their employment contracts. However, the Group cannot guarantee that its employees will not claim intellectual property rights in the works that such employees create. Similarly, the Group cannot guarantee that employees, for example, software developers, whose employment is terminated either by resignation, dismissal or on any other grounds, will not breach terms of their agreement relating to and restricting the use of the Group's intellectual property.

There is also a risk that third parties may independently design and exploit software similar to the software developed by the Group without infringing the Group's intellectual property rights, but with a material adverse effect on its business and profitability, or that the Group's competitors as well as other companies and individuals may obtain and may have obtained intellectual property rights related to technologies for trading the types of financial instruments and providing the type of services the Group offers or plans to offer and that the Group's intellectual property rights will not have priority over such third parties' rights.

If it were to be found, by a court or otherwise, that an employee or other third party is the rightful owner of intellectual property used by the Group or that one or more of the Group's financial instruments or services infringe intellectual property rights held by others, the Group may be required to stop developing or marketing relevant financial instruments or services, stop using the relevant intellectual property, obtain licences to use the relevant intellectual property or develop or market the financial instruments or services, pay royalties and/or damages to the employee or other third party holding the relevant intellectual property rights, and/or redesign the relevant instruments or services in such a way as to avoid infringement, any of which may have a material adverse effect on the Group's business, financial condition and operating results. Any claim against the Group in relation to ownership or infringement of intellectual property, even if it lacks merit, could result in expensive and/or time-consuming litigation and/or negotiations.

RISKS RELATING TO THE GROUP'S FINANCIAL CONDITION

A referendum held in the UK on 23 June 2016 resulted in a vote in favour of the UK leaving the EU ("Brexit") which could have a significant impact on the Group, the value of the Company's investments and the value of the Ordinary Shares

The extent of the impact of Brexit on the Group and, in particular, Plus500UK's FCA licence depends in part on the nature of the arrangements that are put in place between the UK and the EU following Brexit and, in particular, whether or not Plus500UK will be able to continue to provide services throughout the EEA in reliance on the "passports" granted in accordance with MiFID I and equivalent legislation. Whilst it is uncertain as to the terms of the arrangements that would be agreed between the UK and the EU in the event of Brexit and indeed when such arrangements would become effective, the Group (through Plus500CY) has a licence granted by the CySEC that it currently uses (and will, notwithstanding Brexit continue to be able to use) to offer its services in each member state of the EEA in reliance on the "passports" granted in accordance with MiFID.

However, any restriction on the Group's ability to offer its services (through Plus500UK) on a pan-European basis following Brexit would result in the Group having one "passportable" EEA licence (rather than two). In the event that Plus500UK is unable to continue to provide services through the EEA in accordance with the passporting regime, the Group intends to on-board German and Dutch customers through Plus500CY.

Although the Group believes it has the necessary infrastructure in place in order to move European customers from Plus500UK to Plus500CY if necessary, such customers would be required to sign up to Plus500CY's terms and conditions and provide KYC information which they may decline to do, such that the Group could lose those customers.

In circumstances where the Group has one "passportable" EEA licence, any adverse implications on Plus500CY's ability to offer its services on a pan-European basis could result in a significant decrease in its revenues and, consequently, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group intends to monitor developments in respect of any potential impact, arising from Brexit, on Plus500UK's ability to continue to provide services throughout the EEA.

In addition, there are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory landscape in the UK, including *inter alia*, the UK's tax system and the transfer of personal data on a cross-border basis.

The UK government has announced its intention to align national data protection laws following Brexit closely with those of the remaining EU member states. The Data Act 2018 is intended to "anchor" the GDPR so that, apart from some essential adjustments, the legislation will be substantially equivalent to the remaining EU states. However, until and unless a formal adequacy finding is made of the UK data protection laws by the European Commission, all personal data flows from the EU to the UK post-Brexit will be subject to additional legal compliance obligations which will increase costs and complexity of such transfers, even those occurring on an intra-group basis. This situation may persist for months or even years depending on the time taken for an adequacy decision to be reached.

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

Since the Group reports its financial results in US dollars, fluctuations in rates of exchange between the US dollar and non-US dollar currencies may have a material adverse effect on the Group's results of operations. The Group generates its revenues in a variety of currencies, including the Euro, Sterling, Australian Dollar and the NIS. As a result, some of the Group's financial assets are denominated in these currencies and fluctuations in these currencies could adversely affect its financial results. The Group does not currently engage in any currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on its results of operations though it has a Treasury policy to hold 80 per cent. of the Group cash balance in US dollars. If the Group were to determine that it was in its best interests to enter into any currency hedging transactions in the future, there can be no assurance that the Group will be able to do so or that such transactions, if entered into, will materially reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. In addition, if, for any reason, exchange or price controls or other restrictions on the conversion of one currency into another currency were imposed, the Group's business could be adversely affected. Although exposure to currency fluctuations to date has not had a material adverse effect on the Group's business, there can be no assurance such fluctuations in the future will not have a material adverse effect on revenues from international sales and, consequently the Group's business, operating results and financial condition.

The Group could be negatively affected by a significant macroeconomic or unexpected market event

A sudden or extreme macroeconomic or unexpected market event could significantly impact on the Group's financial and trading position. For example, in January 2015, the Swiss National Bank announced that it would no longer hold the Swiss Franc at a fixed exchange rate with the Euro. As a result there was an unexpected, exceptional appreciation in the value of the Swiss Franc within minutes of the announcement (the "**Swiss Bank Event**"). The Swiss Bank Event precipitated the insolvency of certain foreign exchange trading companies. Whilst this had no material impact on the Group's financial and trading position, this is nevertheless an example of a risk to participants in the CFD market. Although, the Group's proprietary risk management system is designed to ensure that overall exposures to a single instrument, such as the Swiss Franc, are unlikely to have a material impact on the Group's financial position, the Directors cannot guarantee that, in the future, similar market events (whether economic or political in nature) will not have a material adverse effect on the Group's business, financial condition and operating results.

The Group's insurance coverage may be inadequate to cover its losses in respect of claims made against the Group

Whilst the Company maintains insurance with respect to certain events, such as natural disasters, there is no assurance that the Group's coverage will be adequate to cover potential losses. Any failure (past, present or future) by the Company to obtain and/or maintain adequate insurance and to be covered by such insurance in the event of any claim may have an adverse effect on the Group's business, financial condition and operating results.

RISK FACTORS RELATING TO THE GROUP'S DOMICILE AND OPERATIONS IN ISRAEL

Security, political and economic instability in the Middle East and Israel in particular may harm the Group's business

The Company is incorporated under the laws of the State of Israel, and its principal offices and research and development facilities are located in Israel. Accordingly, security, political and economic conditions in the Middle East in general, and in Israel in particular, directly affect its business. Any armed conflicts or political instability in the region, including acts of terrorism or any other hostilities involving or threatening Israel, could have a negative effect on business conditions and could make it more difficult for the Group to conduct its operations in Israel and/or increase its costs and adversely affect its financial results.

Furthermore, some neighbouring countries, as well as certain companies and organisations, continue to participate in a boycott of Israeli firms and others doing business with Israel or with Israeli companies. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of the Group's business.

The Group's operations could be disrupted by the absence for significant periods of one or more of its executive officers, key employees or a significant number of other employees because of military service. A number of the Group's executive officers and the majority of its male employees in Israel are obliged to perform military reserve duty, which accumulates over a period of three years from several days to up to 84 days in special cases and circumstances specified under applicable law. The length of such reserve duty depends, among other factors, on an individual's rank and position in the military. In addition, if a military conflict or war occurs, these persons could be required to serve in the military for extended periods of time. Any disruption in the Group's operations as a result of military service by key personnel could harm its business.

It may be difficult to enforce an English judgment against the Company or its officers and directors, to assert English securities law claims in Israel or serve process on certain of the Company's officers and directors

The Company is organised under the laws of the State of Israel and both Executive Directors and the majority of its Senior Management are based in Israel. Therefore, it may be difficult for an investor, or any other person or entity, to collect a judgment obtained in the United Kingdom against the Company or any of these persons, or to effect service of process upon these persons in the United Kingdom. Furthermore, it may be difficult to assert English securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of English securities law on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not English law is applicable to the claim. If English law is found to be applicable, the content of applicable English law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

The rights and responsibilities of the Company's shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under English law

The Company is incorporated under Israeli law. The rights and responsibilities of holders of Ordinary Shares are governed by the Articles and by Israeli law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical English incorporated companies.

In addition, the ability of a shareholder resident outside Israel to bring an action or to enforce a judgment against the Company may be limited by law. Further, a shareholder resident outside Israel may not be able to enforce judgment against some or all of the Directors. Several of the Company's Directors and officers reside outside the United Kingdom, and a substantial proportion of the Company's assets and the assets of its Directors and officers are located outside the United Kingdom. Consequently, it may not be possible for a shareholder located outside those jurisdictions to effect service or process within the United Kingdom upon the Company or its Directors and officers or to enforce against them any judgments of the courts of England and Wales, including, without limitation, judgments predicated upon the civil liability provisions of the United Kingdom.

The Takeover Code does not apply

The Takeover Code applies to offers for companies which are incorporated in the United Kingdom, the Channel Islands or the Isle of Man and listed on a stock exchange in the United Kingdom, the Channel Islands or the Isle of Man.

As the Company is incorporated in Israel, shareholders are not entitled to the takeover offer protections provided by the Takeover Code. The Company is subject to Israeli law, including Israeli corporate law which regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving directors, officers or significant shareholders, and regulates other matters that may be relevant to these types of transactions.

Notwithstanding the above, certain share control limits analogous to the equivalent provisions of the Takeover Code have been incorporated into the Articles, as described in Part XV (*Additional Information*).

RISKS RELATING TO THE ORDINARY SHARES AND THE DIS

Suitability of the Ordinary Shares as an investment

Investors should be aware that the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Group's operating performance or the overall performance of the sector in which the Group operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others of which may be outside the Group's control.

If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may fall for reasons unrelated to the Group's business, results of operations or financial condition.

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

Fluctuations in the price of the Ordinary Shares in response to a number of factors, some of which may be out of the Company's control

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, since the admission of the Ordinary Shares to trading on AIM in July 2013, the market price of the Ordinary Shares has been highly volatile. The market price of the Ordinary Shares may prove to continue to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond the Company's control, including: variations in operating results in the Company's reporting periods; changes in financial estimates by securities analysts; poor stock market conditions affecting companies engaged in the technology sector; strategic alliances, joint ventures or other capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues by the Company or sales by the Founders or other Shareholders of Ordinary Shares. Any or all of these events could result in a material decline in the market price of the Ordinary Shares.

Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If a liquid trading market for the Ordinary Shares does not continue, the price of the Ordinary Shares may become more volatile, and it may be difficult to complete a buy or sell order for such Ordinary Shares. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. However, there may only be a limited public free float of the Ordinary Shares in the future. Restrictions imposed by the FCA or any other applicable regulator regarding persons who may act as a "controller" of the Company may also impact the demand of the Ordinary Shares as an intended acquisition of a controlling interest may trigger an obligation to notify or obtain the consent, and meet certain requirements of, the regulator.

Furthermore, low trading volumes or the low amount of Ordinary Shares publicly held by unrelated parties may result in a delisting of the Ordinary Shares in the future which would materially affect the liquidity of the Ordinary Shares.

The Company cannot assure investors that it will make dividend payments in the future

The Company's current Dividend Policy is to distribute not less than 60 per cent. of retained profits in each financial year out as dividends, including by way of share buybacks. However, the Directors may elect to revise the Dividend Policy in the future and future dividends will depend on, among other things, the Group's future profit, financial position, regulatory capital requirements, distributable reserves, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time. The Company's ability to pay dividends is also subject to the requirements of Israeli law, which permits the distribution of dividends only out of cumulative retained earnings or out of retained earnings over the prior two years, provided that there is no reasonable concern that the payment of the dividend will prevent the Company from satisfying its existing and foreseeable obligations as they become due. Furthermore, the Company's ability to pay dividends also depends upon receipt of sufficient funds from Plus500UK, Plus500CY, Plus500AU, Plus500IL, Plus500SG and any other subsidiaries of the Company established going forward.

Future sales of Ordinary Shares could depress the market price of the Ordinary Shares

Sales, or the possibility of sales, by the Company or its significant Shareholders of a substantial number of Ordinary Shares, such as the sales by the Founders in February 2014, September 2016 and March 2018 of a substantial number of Ordinary Shares, could have an adverse effect on the trading prices of the Ordinary Shares or could affect the Company's ability to obtain further capital through an offering of equity securities.

Any sale of shares in the open market, or the perception that such sales could occur, may materially adversely affect the market price of the Shares. This may make it more difficult for shareholders to sell the Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future, any of which could have a material adverse effect on the trading price of the Shares as well as the Group's operating results, business prospects and financial condition.

If securities or industry analysts do not continue to publish research or reports about the Group's business, or if they downgrade their recommendations, the market price of the Ordinary Shares and their trading volume could decline

The trading market for the Ordinary Shares is and will continue to be influenced by the research and reports that industry or securities analysts publish about the Group or its businesses. If any of the analysts that cover the Group or its business downgrade it or them, the market price of the Ordinary Shares would likely decline. If analysts cease coverage of the Group or fail to regularly publish reports on it, the Group could lose visibility in the financial markets, which in turn could cause the market price of the Ordinary Shares and their trading volume to decline.

Holders of DIs must rely on the Depositary or the Custodian to exercise rights attaching to the underlying Ordinary Shares for the benefit of the DI holders

The rights of holders of DIs will be governed by, among other things, the relevant provisions of the CREST Manual and the CREST Rules (as defined in the CREST Terms and Conditions issued by Euroclear). The Depositary or its nominated custodian will hold the voting and other rights conferred by Israeli law and the Articles for the benefit of the relevant DI holder. Consequently, the DI holders must rely on the Depositary or its nominated custodian to exercise such rights for the benefit of the DI holders. Although the Company has entered into arrangements whereby the Depositary will make a copy of the register of the names and addresses of Depositary Interest Holders available to the Company to enable the Company to send out notices of shareholder meetings and proxy forms to its DI holders, subject to certain requirements, the Custodian will be able to give each beneficial owner of a DI the right to vote directly in respect of such owner's underlying Ordinary Shares, the Company cannot assure prospective investors that such information, and consequently, all such rights and entitlements, will at all times be duly and timely passed on or that such proxy arrangements will be effective.

PART III

IMPORTANT INFORMATION

GENERAL

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Prospectus to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

This Prospectus contains statements that are or may be forward-looking statements. All statements other than statements of historical facts included in this Prospectus may be forward-looking statements, including statements that relate to the Company's future prospects, developments and strategies.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions express by the press or other media regarding the Group. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Forward-looking statements are identified by their use of terms and phrases such as "believe", "targets", "expects", "aim", "anticipate", "projects", "would", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. The forward looking statements in this Prospectus are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results, performance and achievements to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements. Factors that may cause actual results to differ materially from those expressed or implied by such forward looking statements include, but are not limited to, those described in the risk factors. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such entity and the environment in which each will operate in the future. All subsequent oral or written forward-looking statements attributed to the Company or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above.

Each forward-looking statement speaks only as at the date of this Prospectus. Except as required by law, regulatory requirement, the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules, neither the Company nor any other party intends to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

The information contained within this Prospectus will be updated as required by the Prospectus Rules. You are advised to read this Prospectus and, in particular, Part I (*Summary*), Part II (*Risk Factors*), Part VI (*Market Overview*), Part VII (*Information on the Group*) and Part XI (*Operating and Financial Review of the Group*) of this Prospectus for a further discussion of the factors that could affect the Company's future performance and the industries and markets in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Prospectus may or may not occur. Investors should note that the contents of this Prospectus relating to forward looking statements are not intended to qualify the statements made as to sufficiency of working capital in this Prospectus.

At various places in this Prospectus, reference is made to legal advice obtained by the Company in respect of several different matters. The Company does not waive privilege in any of that legal advice by referring to it in this Prospectus or otherwise.

PRESENTATION OF FINANCIAL INFORMATION

The Company publishes its financial statements in US dollars. References to "dollars", "USD", "US$" or "$" are to the lawful currency of the US.

Throughout this Prospectus, unless otherwise indicated, the following exchange rates have been used:

- NIS1.00: US$0.275
- S$1.00: US$0.739
- £1.00: US$1.324

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a table may not conform exactly to the total figure given for that table. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

The historical financial information presented in this Prospectus consists of audited consolidated financial information of the Group as at and for the year ended 31 December 2015, the year ended 31 December 2016 and the year ended 31 December 2017.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of the Company are prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations as issued by the International Financial Reporting Interpretations Committee of the IASB.

DISTRIBUTION OF THIS PROSPECTUS

General

This Prospectus does not constitute, and may not be used for the purposes of, an offer to sell or issue or the solicitation of an offer to buy or subscribe for any Ordinary Shares to or from any person in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus in certain jurisdictions may be restricted by law and regulation. Other than in the United Kingdom, no action has been taken or will be taken by the Company or Liberum that would permit a public offering of the Ordinary Shares, or possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors must inform themselves as to:

(a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares;

(b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and

(c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Prospective investors must rely upon their own professional advisers, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. This Prospectus is based on the law and practice currently in force in England and Wales, and the statements included in this Prospectus are subject to change.

Rounding

Certain figures in this Prospectus have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

Market, economic and industry data

Certain information in this Prospectus has been sourced from third parties. The Company confirms that all third-party information contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of this information has been identified.

Definitions

Certain terms used in this Prospectus are defined and explained in Part XVI (*Definitions)* and, in particular, certain technical terms relating to the Group's business and industry are defined and explained in Part XVII (*Glossary*).

No incorporation of website information

The contents of the Company's website, any website mentioned in this Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Prospectus, and investors should not rely on such information.

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Prospectus	20 June 2018
Trading of the Ordinary Shares on AIM cancelled	8.00 a.m. on 26 June 2018
Admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market.	8.00 a.m. on 26 June 2018

The times and dates in the timetable above, except the date of publication of this Prospectus, are indicative only and are subject to change. Any changes will be notified via RIS announcement. All times are London times.

NO ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders are not required to take any action upon receipt of this Prospectus, which is being made available publicly for information purposes only.

This Prospectus has been published solely to enable the Company to obtain admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the Main Market.

PART V

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Penelope ("Penny") Ruth Judd *Non-Executive Director and Chairman* Gal Haber *Managing Director* Asaf Elimelech *Chief Executive Officer* Elad Even-Chen *Group Chief Financial Officer* Michael ("Charles") Charles Fairbairn *Senior Non-Executive Director and External Director* Daniel Joseph King *Non-Executive Director and External Director* Steven John Baldwin *Non-Executive Director*
Company Secretary	Dana Comber
Registered Office and Business Address	MATAM Building 25 Haifa 3190500 Israel
Sponsor and Financial Advisor	Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London EC2Y 9LY United Kingdom
Legal Advisers to the Company as to English law	Bryan Cave Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA United Kingdom
Legal Advisers to the Company as to Israeli law	Naschitz, Brandes, Amir & Co., Advocates 5 Tuval Street Tel Aviv 6789717 Israel
Legal Advisers to the Sponsor as to English law	Osborne Clarke LLP One London Wall London EC2Y 5EB United Kingdom
Auditor and Reporting Accountants	Kesselman & Kesselman Trade Tower, 25 Hamered Street Tel Aviv 6812508 Israel
Registrar	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Depositary	Link Market Services Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART VI

MARKET OVERVIEW

The following information relating to the retail leveraged trading industry, focusing on CFDs, has been provided for background purposes only. Where identified, certain information in this section has been extracted from third-party sources. This information has been accurately reproduced and, as far as the Group is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this section in conjunction with the more detailed information contained in this Prospectus, including Part II (Risk Factors), Part VII (Information on the Group), Part IX (Regulatory Overview), Part XI (Operating and Financial Review) and Part IX (Regulatory Overview).

1. The Market

The Group operates in the retail leveraged trading industry which is broadly comprised of CFDs, financial spread betting and traded options, which allow customers to take leveraged positions on underlying financial instruments, many of which are difficult for retail traders to access directly.

The evolution of this industry has benefitted from increasing customer awareness and acceptance of leverage trading, the ongoing growth in internet usage and the development of advanced online trading platforms, which, together, have enhanced the ability of retail customers to trade in an increasingly wider variety of more sophisticated financial assets and instruments that were previously inaccessible.

Within the broader industry, the Group is focused solely on the provision of CFDs, which is a product used internationally, and does not offer either financial spread betting or traded options which are often limited to use in certain countries. The Directors believe that the CFD trading market is an attractive and growing part of the global retail leveraged trading industry.

2. What is a CFD?

A CFD is a contract between two parties, the buyer and seller, which stipulates that the seller will pay the buyer the difference between the current value of an asset or index and its value at a later time if the value has increased at the point the contract was closed. Conversely, if the value falls, the buyer will pay the seller the difference. In this way, CFDs represent financial derivatives which allow traders to acquire exposure to a wide range of underlying financial instruments without any need to own the underlying asset.

The financial instrument provides similar economic benefits to an investment in one of these underlying assets, but avoids certain costs and complexities associated with physical ownership. A CFD is a leveraged product, traded on margin, allowing traders to magnify profits and losses.

This structure has a number of benefits detailed below.

Stamp duty

In the UK, for example, CFD trades do not incur stamp duty charges as they do not represent ownership in an underlying asset. This is in contrast to traditional financial investments which allow exposure to such investments as equity shares and commodities.

Tax deductibility

In the UK, gains from trading CFDs are classified as Capital Gains, and are thus subject to Capital Gains Tax. This means that losses incurred through CFD trading are deductible and can be offset against other gains incurred during the same tax year.

Corporate actions

Generally, holders of open long CFD positions on underlying equity securities are entitled to receive further payments in respect of any dividends paid during the period the position is open and to hold certain other rights that shareholders of the underlying equity securities are entitled to hold.

Receiving the benefits of dividends by exposure to a CFD position provides advantages over receiving dividends through conventional ownership of the underlying financial instrument. This is because, generally, a customer account with an open long CFD position will be credited with the proceeds of the dividend at the opening of business on the ex-dividend date (provided that the position was open on the day before the ex-dividend date). In contrast, if the customer had instead held an underlying equity share, the dividend payment would normally be received a number of weeks following the ex-dividend date.

Storage and other Ownership Costs

CFDs are highly flexible products which can be based on a wide range of underlying financial instruments. For example, CFDs allow traders to gain exposure to commodities and therefore movements in commodity markets without the need to own the underlying assets. This has beneficial cost implications, as exposure to underlying assets, for example, a barrel of oil, would incur storage and transportation costs, which do not exist for CFD traders.

Leverage

CFDs are leveraged financial products, which are traded on margin. In this way, traders need only deposit a fraction of the total value of the exposure sought, whilst still maintaining full exposure to the underlying price movement. By leveraging a CFD position, traders magnify both the potential gains and losses which arise from movements in underlying assets.

CFD providers typically allow traders to maintain margins, depending on the underlying asset. These margin requirements can sometimes be reduced by implementing Stop Loss Orders on trades.

In order to fund the leverage applied to CFD traders, providers typically apply daily interest rates to margin accounts, with the rates being linked to LIBOR.

3. History of CFDs

CFDs were originally developed in the 1990s as a form of equity swap to be traded on margin by hedge funds and institutional traders seeking to cost-effectively hedge exposure to equity shares. Through the use of CFDs, institutional traders and hedge funds could gain exposure to markets and securities without the need to physically settle their share transactions.

By the end of the decade, CFDs had been introduced to retail traders and in the early 2000s the product gained popularity as a way of not only benefitting from stamp duty exemptions but also as a way to leverage any underlying financial instrument.

Historically, speculating with leverage on the financial markets was predominantly limited to trading futures or options on derivatives exchanges. With the emergence of CFDs and online trading platforms, both institutional and retail customers are now able to easily trade on margin and gain exposure to a wide range of global financial markets and instruments.

4. Market Overview

The Directors distinguish growth in the retail CFD market between growth in customers and increase in revenue per customer. These drivers of growth are balanced differently in the various geographies in which the Group’s offering is available. In the more developed markets of Western Europe and Australia, the Directors believe that current and any future growth is likely to be driven primarily by increasing customer numbers. In these more highly penetrated markets, average revenue per customer is expected to remain relatively stable, owing to the downward pressure on spreads due to heightened competition.

In less developed markets such as those in Eastern Europe, the Directors believe rising average revenue per customer to be the primary driver of current and any future growth.

5. Competitive Landscape

The Group operates in the retail leveraged trading industry which is broadly comprised of three product sectors: CFDs, financial spread betting and traded options. Within this market, the Group only offers CFDs and does not provide either financial spread betting or traded options.

The retail leverage trading industry is served by a number of large-scale players including, for example, IG, CMC and Saxo who, aside from CFDs, also serve other financial markets.

Within the retail leverage product market, financial spread betting is the dominant product in the United Kingdom (the Group's biggest market) where spread betting is currently exempt from UK capital gains tax.

Market

The Directors believe that the international CFD market, which is the sole focus of the Group, is extremely fragmented, comprising a small number of large-scale providers and a large number of other significantly smaller providers.

Competitive Advantages

Whilst the international retail CFD market is served by a small number of large-scale providers, it is still highly fragmented, with numerous smaller scale providers serving the rest of the market. The Directors believe that there are significant challenges to achieving scale, and that providers with the relevant competitive advantages are able and will continue to differentiate themselves from the wider market.

Product Sophistication

The Directors believe that it is critical to establish sophisticated and tailored software to enable innovation and the provision of sophisticated and integrated platform features. This is in contrast to the "off-the-shelf", more basic trading platforms which are currently available and enable providers to establish trading platforms quickly and with minimal effort. These basic solutions do not provide the flexibility and potential for innovation needed to create a market-leading product to attract new customers and retain existing ones within the CFD sector.

The Directors believe that the time and cost associated with developing a fully-featured, proprietary trading platform with the flexibility to innovate and respond quickly to new trends and technology, alongside the Group's strong international brand, provide a significant barrier for new entrants.

Reputation

Given the financial nature of the product, it is common for customers to seek reputable providers to mitigate risk. The Directors believe that maintaining a reputation for trustworthiness and high quality customer service is a long term objective, and arises from a consistent commitment to that aim. The Directors further believe that there is a benefit from being a publicly listed company, including the associated transparency, which is enhanced by being on the premium listing segment of the Official List, noting that two of the Group's primary competitors are listed on the premium listing segment of the Official List.

Regulation

The Directors appreciate that the high regulatory standards present in many developed markets worldwide provide burdens on new and prospective entrants to the market. These burdens relate to the cost and time of ensuring ongoing compliance with regulation, as well as the initial hurdle of obtaining the relevant licences, often in multiple jurisdictions.

6. Regulatory Outlook

The Directors believe that the regulators around the globe will continue to increase scrutiny and standards required in the retail leveraged trading industry. In particular, the regulatory environment continues to evolve in many of the Group's European Markets. On a pan-European level, on 27 March 2018 ESMA announced that it had agreed to make use of its MiFID II product intervention powers in relation to the sale of CFDs and binary options to retail investors. Final rules were published in the Official Journal on 1 June 2018 which restrict the marketing, distribution and sale of CFDs to retail clients, including the introduction of: (i) leverage limits on the opening of a position by a retail client, which vary according to the historical price behaviour of the different classes of underlying assets: 30:1 for major currency pairs; 20:1 for non-major currency pairs, gold and major indices; 10:1 for commodities other than gold and non-major equity indices; 5:1 for individual equities and other reference values and 2:1 for cryptocurrencies; (ii) a margin-close out rule on a per account basis, which would standardise the percentage of margin at which providers are required to close out a retail client's open CFD at a level of 50 per cent. of the minimum initial required margin; (iii) negative balance protection on a per account basis, providing an overall guaranteed limit on retail client losses; (iv) a restriction on the use of incentives for trading being offered by CFD providers; and (v) standardised risk warnings to be included in any communications or published information accessible by retail clients relating to the marketing, distribution or sale of CFDs, including an indication of the range of losses on retail investor accounts. These measures will take effect from 1 August 2018 and will last for an initial three-month period, after which they may be renewed. ESMA also stated that, due to the specific characteristics of cryptocurrencies as an asset class, the market for financial instruments providing exposure to cryptocurrencies (such as CFDs) will be closely monitored and ESMA will assess whether additional stricter measures are required. As Plus500UK and Plus500CY are authorised firms in the EEA, these measures will apply to all relevant transactions entered into by Plus500UK and Plus500CY (regardless of whether their customers are resident inside or outside the EEA).

There have also been various recent regulatory developments at a national level, particularly in Western Europe. For example, in the UK, the FCA published a consultation paper (CP16/40) in December 2016 on enhancing the conduct of business rules for firms providing CFD products to retail clients. On 29 June 2017, the FCA released a statement announcing that it had decided to delay making final conduct rules for UK firms providing CFDs to retail clients, pending the outcome of ESMA's discussions in relation to its use of its product intervention powers under the MiFID II legislation. On 15 December 2017, the FCA released a further statement announcing that its domestic policy work on permanent product intervention measures applicable to firms offering CFDs remained ongoing and that the FCA supported ESMA in its consideration of potential EU-wide product intervention. On 10 January 2018, the FCA published the form of a "Dear CEO" letter sent to the CEOs of firms engaging in the retail CFD sector. In this letter, the FCA invited all UK CFD providers take note of concerns it had identified from a review of practices within firms which (unlike the Group) offer and distribute CFDs to retail customers on either an advisory or discretionary portfolio management basis. On 27 March 2018, the FCA issued a statement on ESMA's temporary product intervention powers (announced that day and referred to above). The FCA stated that it supported ESMA's measures and that the FCA expected to consult on whether to apply such measures on a permanent basis to firms offering CFDs and/or binary options to retail clients.

The Company believes that the ESMA measures will have an effect on the Group's financial performance in that the Group's growth may not be as high if the ESMA measures had not been introduced, but this has been factored into the Group's performance expectations for the current financial year.

As stated above, Plus500 believes that the ESMA measures will have an effect in the short term, however this can be mitigated by providing those of its customers in the EEA that wish to trade on higher margin, the option of applying for an EPC account, such application being subject to approval by the Company and the customer meeting the relevant regulatory requirements (including the guidance on client categorisation issued by ESMA in its Investor Protection Q&As). This mitigating factor has also been identified by several of the Group's competitors. Plus500UK and Plus500CY began evaluating their customer bases regarding EPC status in February 2018 and consider that across the Group 12 per cent. of its customers in the EEA may be eligible for EPC status. Given that this 12 per cent. generate in aggregate approximately 75 per cent. of the revenue at EEA level, the Board believes that the Group is in a strong position to maintain revenue from those customers given its EPC offering.

Given that there is currently no incentive for retail customers to apply for EPC status and the Group has not approached all of its customer base, only a limited number of its customers have already done so to date. Of approximately 38,000 customers marked by the Group as potential EPCs, 8,116 applied for EPC status of which 4,282 were approved.

In Belgium, a Royal Decree was issued on 21 July 2016 (and published on 8 August 2016). The Decree approved a regulation of the Belgian FSMA on the distribution of OTC derivatives. With effect from 18 August 2016, the marketing and distribution of CFDs containing leverage and certain other financial derivatives to retail clients was prohibited.

On 9 December 2016, the AMF introduced law n° 2016-1691 (known as the "Sapin II Act"), prohibiting the electronic marketing of certain types of OTC derivatives to retail clients in France, including those for which: (i) the maximum risk is unknown at the time the contract is entered into; (ii) the risk of loss is greater than the amount initially invested; or (iii) the risk of loss compared to the potential advantages is not reasonably understood with regard to the particular nature of derivative. Having sought French legal advice, the Group understands that CFD providers continue to be permitted to operate in France without a limited risk account provided that those CFD providers do not perform any type of marketing activity in France. Whilst these new rules are not applicable to the Group's business on the basis that it no longer markets in France, if it was to resume marketing in France, the Group would be subject to such restrictions.

In Germany, BaFin issued a General Administrative Act on May 8, 2017, prohibiting the marketing, distribution and sale of certain types of CFD to retail clients in Germany. The prohibition extends to CFDs which may expose clients to losses greater than the amounts deposited in their trading account.

In light of these developments, the Directors believe that the regulatory environments in Europe is becoming more sophisticated and stringent, resulting in higher barriers for new entrants, higher costs to serve, and additional resources needed to manage relationships. The Directors believe that this trend is likely to continue across the geographies where the Group's offering is available.

As a result of a tightening global regulatory environment, the Directors believe there will be a greater need for efficiency and automation within the business models of industry participants, and consider the Group to be well-placed to benefit from these trends.

PART VII

INFORMATION ON THE GROUP

Plus500 has developed and operates, within the CFD sector, an online and mobile trading platform (the "**Trading Platform**") enabling its international retail customer base to trade CFDs on over 2,200 underlying financial instruments internationally. Through its Trading Platform, the Group currently offers CFDs referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange, to its retail customers located in over 50 countries. The Group offers all of its financial instruments under the "Plus500" brand name.

The Trading Platform, which is available in 32 languages, has been designed to be intuitive and user-friendly and the Directors believe that this is one of the key factors in the success of the Group to date. The Trading Platform, which was developed internally and is based on proprietary technology, is accessible from multiple operating systems, including PC (Windows and Mac), web browsers, mobile and tablet (iOS, Android, Windows and Surface) and, also on wearable devices, including the Apple Watch.

The Group has also developed a proprietary, highly effective marketing system (the "**Marketing Machine**") to acquire customers efficiently online and from mobile and tablet devices. The majority of the Group's new customers are engaged online via search engines and social media sites. By analysing detailed information from previous marketing campaigns and customer history, the Marketing Machine is able to calculate the prospective future value of potential customers and allocate resources to effectively bid, in real-time, on a significant number of key words across a number of search engines, to acquire new customers with demonstrable and measurable results.

Plus500 operates through a number of regulated subsidiaries which allows the Group to offer services to customers in a number of geographies. In June 2010, Plus500UK received authorisation from the FCA which allowed it to take customers throughout the EEA via a regulatory passporting mechanism. In October 2012, the Group further expanded its operations when Plus500AU received a licence from ASIC, allowing the Group to operate in Australia. In October 2014, Plus500CY obtained regulatory authorisation from the CySEC in Cyprus to provide services throughout the EEA in reliance on the passport mechanism as with Plus500UK. Through Plus500IL, the Group obtained, in September 2016, regulatory authorisation from the ISA to provide certain financial services in Israel. Through Plus500AU, the Group applied to the New Zealand Financial Markets Authority (the "**FMA**") for registration as a financial service provider in New Zealand and was successfully granted a licence in October 2016. Further, through Plus500AU, the Group also obtained, in February 2017, regulatory authorisation from the Financial Services Conduct Authority, allowing it to provide certain financial services in South Africa. In addition, in December 2017, Plus500SG obtained regulatory authorisation from the MAS in Singapore to provide certain financial services in Singapore. In February 2018, Plus500SA obtained regulatory authorisation from the FSCA in South Africa to provide certain financial services in South Africa. Finally, in February 2018, Plus500SG obtained regulatory authorisation from Enterprise Singapore (formerly known as International Enterprise Singapore) to provide CFD trading in spot commodities in Singapore.

In July 2013, the Company successfully completed its IPO on AIM with a market capitalisation on IPO of approximately US$200 million. The current market capitalisation of the Company is now in excess of US$2,455 million (approximately £1,854 million) and the Directors believe that the Main Market is a more appropriate platform for the continued growth of the Group at this stage in its development.

Total returns to shareholders since the IPO in 2013 (including dividends declared in February 2018) were in excess of US$530 million.

The Group conducts its operations from eight offices located in Haifa (Israel), Tel Aviv (Israel), London (United Kingdom), Sydney (Australia), Limassol (Cyprus), Sofia (Bulgaria), Singapore (Singapore) and Cape Town (South Africa).

Despite its relative infancy, since its IPO in July 2013 the Group has invested over US$440 million in marketing and developing its brand. According to Investment Trends' 2017 UK Leverage Trading Report, the Group was the number two CFD provider in the UK with a 15 per cent. overall market share; and according to Investment Trends' May 2017 Australia CFD Report, the Group was the number three CFD provider in Australia.

The Group generates the vast majority of its revenues from the dealing spreads on the Trading Platform; in addition, the Group generates revenues from overnight charges on certain positions held by customers overnight and, to a lesser extent, from gains (offset by losses) on customers' trading positions. Further information on the Group's three revenue streams are detailed in section 4 below of this Part VII (*Information on the Group*). The Group does not charge customers a commission on trades.

The Group mitigates risk in a number of ways, in particular by limiting financial exposure to any one individual customer as well as to any one individual instrument. Furthermore, the Group also has in place a hedging policy designed to further mitigate risk. Further information on the Group's risk management procedures and hedging strategy is provided in Part VIII *(Risk Management and Hedging)*.

1. DETAILED BUSINESS OVERVIEW

History of the Group

Founding of the Group (2008-2009)

Plus500 was established in 2008 by the Founders together with Mr Shimon Sofer. Together they developed and launched the Group's first PC-based version of the Trading Platform, which enabled customers to trade in the movement of the price of equities, indices, commodities, options, ETFs, and foreign exchange without having to buy or sell the underlying instrument.

In 2009, the Group began offering its customers CFDs on shares without commission, which continues to be a key differentiator versus its primary competitors to this day.

Innovation and expansion of the Group (2010-2012)

In June 2010, the Group's UK subsidiary, Plus500UK, received authorisation from the FCA which regulates its operations in the UK. Plus500UK's offering was also made available in other EEA countries through a regulatory passporting mechanism.

In 2010, the Group also launched an internet browser version of the Trading Platform allowing access to Mac, Linux and smartphone users. This was supplemented in 2011 with the launch of its first iOS app for iPhone and iPad users, which became the highest rated CFD trading app on Apple's AppStore later in the same year. In 2012, the Group introduced its Android app for Android smartphones and tablets.

In October 2012, the Group's Australian subsidiary, Plus500AU, received an Australian Financial Services Licence ("**AFSL**") from ASIC which enabled it to conduct a financial services business in Australia.

IPO and development of the Group (2013-present)

In July 2013, the Group's shares were admitted to trading on the AIM market of the London Stock Exchange giving the Group a market capitalisation of approximately US$200 million at the time of admission. The IPO raised US$25 million (before expenses) through a placing of Ordinary Shares on behalf of the Group. Since the IPO, the Group has continued to grow by focusing on product innovation, development of the Trading Platform and expansion of the Group's operations.

In October 2014, the Group's Cypriot subsidiary, Plus500CY, received authorisation from CySEC which enabled it to conduct a financial services business in Cyprus and, by virtue of the licence granted to it, enabled it to "passport" the Group's offering throughout the EEA.

Plus500UK was subject to reviews by the FCA in April and October 2014 and in January 2015 regarding the Group's AML and financial sanctions systems and other regulatory controls. In light of concerns relating to Plus500UK's AML systems and controls identified by the FCA in the course of these reviews, the FCA requested that Plus500UK take remedial action to implement specified steps to mitigate AML risks. The FCA also required a skilled person to be appointed under s.166 FSMA to conduct a review of the effectiveness of governance, management oversight, and the competence of senior management, in respect of AML systems and controls; the adequacy of the AML control framework; and the effectiveness of back-book remediation. In addition, as a result of concerns identified by the FCA relating to the timing of customer identity verification checks, at the FCA's request, Plus500UK provided the FCA with a voluntary requirement ("**VREQ**") under which it agreed that it would not conduct any transactions for customers unless and until the appropriate AML documentation had been received from that customer.

In May 2015, the skilled person appointed under s.166 FSMA identified that Plus500UK had breached the terms of the VREQ, As a result, and following discussions with the FCA, at the FCA's request Plus500UK provided the FCA with a second VREQ in terms substantially similar to the first VREQ, with the additional requirement that Plus500UK would not take on any new clients unless and until it had taken all necessary steps to ensure that: (i) its assessment of a client's appropriateness complied with COBS; and (ii) all future financial promotions issued and capable of having effect in the UK would be balanced, fair, clear and not misleading, and comply fully with COBS.

From mid-May 2015, Plus500UK put in place a comprehensive remediation plan to re-enable its suspended customers, which involved the implementation of enhanced customer on-boarding and AML processes, necessitating additional documentation checks being performed on existing and new Plus500UK customer accounts, and the hiring of new staff for this process. The Directors believe that the Group is now compliant with all applicable AML and customer due diligence ("**CDD**") requirements and the Group has since strengthened the management team of Plus500UK, including the appointment of Mark Winton as new Chief Executive Officer of Plus500UK, who has extensive experience in risk management and compliance.

Only Plus500UK was impacted by the above and, from May 2015, the Company continued to offer its services to new and existing customers in the EEA (including new customers from the UK), through Plus500CY, using the "passport" mechanism.

Due to the Group's ability to passport its offering and continue to on-board customers based in the EEA through Plus500CY, the Group achieved a near-record year of customer growth in 2015 with approximately 85,000 New Customers as well as increasing Active Customers by 29 per cent. versus the prior year to approximately 137,000. Furthermore, the Group increased the proportion of its revenues derived from Western European countries, reflecting the ongoing focus of the Group on attracting a greater number of high value customers.

In March 2016, the Group established a wholly-owned subsidiary in Bulgaria, Plus500BG, which provides certain operational services to the Group.

In September 2016, the Group, through its Israeli subsidiary, Plus500IL, obtained regulatory authorisation from the ISA to provide certain financial services in Israel.

In October 2016, the Group, through Plus500AU obtained regulatory authorisation from the FMA to provide certain financial services in New Zealand and, in February 2017, Plus500AU obtained regulatory authorisation from the FSCA to provide certain financial services in South Africa.

In December 2017, the Group, through Plus500SG obtained regulatory authorisation from the MAS in Singapore to provide certain financial services in Singapore.

In February 2018, the Group, through Plus500SA, obtained regulatory authorisation from the FSCA in South Africa to provide certain financial services in South Africa.

Finally, in February 2018, the Group, through Plus500SG, obtained regulatory authorisation from Enterprise Singapore (formerly known as International Enterprise Singapore) to provide CFD trading in spot commodities in Singapore.

Business Model

The Group's revenues are generated from three sources: dealing spreads, overnight charges and gains (offset by losses) from customers' trading positions. In contrast to some of its competitors, the Group does not charge its customers a commission on any of their trades, which the Directors believe is a competitive advantage of the Group.

The key drivers of the Group's revenue are primarily the number of Active Customers and ARPU. The Directors believe that economic and financial news flow and broader market activity influence the Group's revenues as the Directors believe that volatile financial markets attract customers who seek to profit from short term movements in the prices of financial instruments.

Each revenue stream is detailed as follows:

Dealing Spreads

The Group earns the vast majority of its revenue by maintaining a dealing spread (the difference between the bid and ask price) on trades of its CFDs. The level of dealing spread on each CFD offered on the Trading Platform is determined by management, primarily on the basis of both the liquidity and volatility of the underlying financial instrument, and is based on real-time market prices. The Group seeks to offer competitive dealing spreads which vary by instrument category.

The quantum of dealing spread on each CFD can be calculated by subtracting the buy price from the sell price of the relevant CFD. By trading a high volume of CFDs each day, the Group is able to generate a significant proportion of its revenues from the dealing spread. For the financial years ended 31 December 2016 and 31 December 2017, dealing spreads constituted US$330.1 million or 101 per cent. and US$478.3 million or 109 per cent. of the Group's revenue, respectively. Dealing spreads are directly correlated with the number of trades made on the Trading Platform such that an increase in customer activity will result in increased revenue for the Group.

Overnight Charges

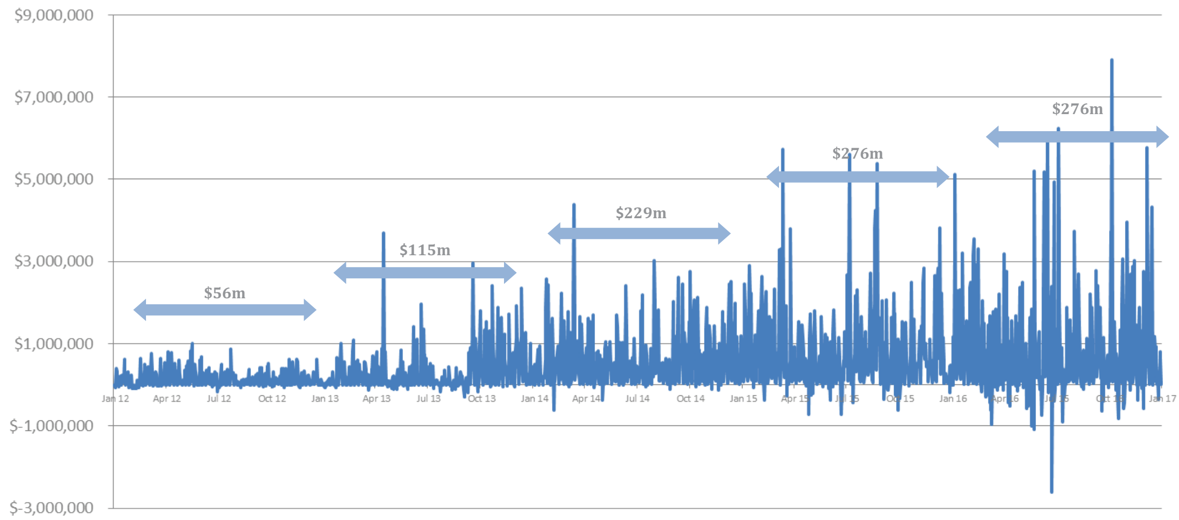
The Group also earns revenue from overnight charges, effectively a financing charge on the money lent to its customers for trading positions that are held overnight. Overnight charges are the fees charged to customers who hold certain positions overnight. When a customer holds a long position overnight through any CFD, the customer is charged an overnight charge or conversely when a customer holds a short position overnight through certain CFDs, the Group pays the customer an overnight charge. For the financial years ended 31 December 2016 and 31 December 2017, net overnight charges constituted US$17.4 million (or 5 per cent.) and US$62 million (or 14 per cent.) of the Group's revenue, respectively. The contribution of overnight charges to Group revenue will depend on the aggregate size of the customers' overnight positions and the interest rate environment.

Profit or loss on customer trading positions

The Group may also earn revenues from gains (offset by losses) on customers' trading positions, although this amounts to a marginal component of the Group's overall total revenue (in each of the financials year ended 31 December 2017, 31 December 2016 and 31 December 2015 respectively, overall there were no net gains for the Group from mark-to-market profit and loss). When a customer places an order for a long or short position in respect of a CFD, the Group is the counterparty to the transaction and acts as principal, taking the risk inherent in the trading position, with the opportunity of a gain or loss against the customer only. The Group does not hedge these positions in the underlying instruments unless the relevant limits under the Group's hedging policy are triggered. Net gains/losses to the Group from trading positions represent actual gains/losses made by the Group's customers. As the Group has grown, the growth in its number of Active Customers has increased the natural offset of customer positions against each other, reducing the exposure of the Group to gains/losses.

This natural hedging of customer trades on the Trading Platform is not expected to be affected by any future significant geopolitical or economic events. For example, on 15 January 2015, when the Swiss Franc was unexpectedly "unpegged" against the Euro, the Group was one of the few market participants to make a profit. This serves as a further example of the Group's high-quality risk management capabilities within the CFD sector.

The Group's daily revenue distribution (shown below) includes revenues from dealing spreads, overnight charges and profit or loss on customer trading positions:



Risk Management

The Group's average daily revenue has increased significantly in recent years. In the financial years ended 31 December 2016 and 31 December 2017, the Group's average daily revenue was approximately US$0.86 million and US$1.17 million respectively. In addition, in the financial years ended 31 December 2016 and 31 December 2017, 85 per cent. and 86 per cent. respectively of the Group's trading days were profitable days with relatively small losses on the remaining days. The Group experienced a maximum daily revenue in each of the two periods of US$7.9 million and US$10.48 million, respectively. The Group's maximum daily loss in the financial years ended 31 December 2016 and 31 December 2017 was US$2.6 million and US$4.07 million, respectively.

The Directors believe the robust, technology-driven risk management systems of the Group are a key competitive strength and an important factor of its revenue generation. The Group has developed comprehensive policies and procedures within a robust risk management framework that attempt to minimise various risks, including market risk.

Product Offering

The Group currently provides its international client base of retail customers with the ability to trade CFDs on over 2,200 underlying financial instruments internationally, referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange. The Group frequently adds to its range of instruments to meet the needs and trading preferences of its customers in different countries. The Group offers all of its instruments under the "Plus500" brand name.

The Group's CFD product reflects economic adjustments for corporate actions (such as dividends, stock split and rights issues) that occur in relation to the underlying security to maintain the economics of the underlying trade. However, the Group's customers do not have control of any voting rights in respect of the underlying financial instruments.

As CFDs are viewed as complex products from a regulatory perspective in the UK, Australia, Cyprus and other jurisdictions, the Group obtains information from prospective customers to enable an assessment of whether they have the knowledge and experience to understand the risks connected with the Group's offering. This is referred to as "appropriateness testing". If a customer is assessed as lacking in the relevant knowledge and experience, their application will either be rejected or they will be notified of their status and assurance will be sought from the applicant that they explicitly understand the risks involved and that they will familiarise themselves with the instruments before trading commences. The "appropriateness test" requirements differ in certain jurisdictions.

The Group intends to further increase the number of financial instruments offered for CFD trading on the Trading Platform. The Directors believe that by expanding the portfolio of financial instruments, customers will have convenient and accessible ways to trade made available to them and the Group will attract more customers to the Trading Platform resulting in an increase in trading activity.

Trading Platform

The strength of the Trading Platform, supported by in-house technical expertise, has continued to allow the Group to react rapidly to market conditions and offer customers the ability to trade CFDs immediately following events such as the high profile initial public offerings of Facebook and Dropbox and on emerging financial instruments, such as Bitcoin and, more recently, other cryptocurrencies.

The Group offers two types of account on the Trading Platform: a 'real money' account and a 'demo' account. A 'real money' account allows customers to deposit and withdraw real money and to risk their capital to trade on the Trading Platform. The Group allows customers to open real money accounts with relatively low deposits. A 'demo' account provides potential customers with the opportunity to experience the Trading Platform (without depositing real money or risking any capital) for an unlimited period.

The Group is in a position to allow customers to use a demo account for an unlimited period of time and open real money accounts with relatively small deposits when compared to its primary competitors, as it pays no external licence fees for its core Trading Platform technology as a result of its self-developed proprietary nature.

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, mobile and wearable devices, available in more than 50 countries in 32 languages. It has been designed to be as intuitive and as user-friendly as possible and is able to provide customers with real-time prices allowing users to continuously monitor their open positions and trading activity and to have immediate access to execution capabilities across a multitude of order types. Through these proprietary and user-friendly delivery channels, customers may trade and access their account information in a device agnostic manner, which increases accessibility to, and traffic on, the Trading Platform. In addition, customers are also provided with the ability to fund their accounts and withdraw funds with preferred local payment systems, are able to trade preferred local financial instruments and enjoy 'live chat' customer support in ten languages. One feature of the Group's localisation initiative is that when accessing the Trading Platform customers will first see instruments on the relevant indices of the jurisdiction in which they are based; it is this familiarity with the instruments that also increases accessibility and usability for the Group's customers.

The Trading Platform's customer interface and back-end are designed to interact efficiently, with as little human input as possible. The Trading Platform processes each customer's trades automatically, updating the "back office" account information in real-time. Real-time position-keeping also allows customers to monitor their open positions and trading activity continuously.

In accordance with regulatory requirements, the Trading Platform also allows the Group to warn a customer when their cash balance is nearing the minimum threshold. Should a customer's cash balance fall below a certain threshold, the Trading Platform is designed to issue the customer with a margin alert, which gives the customer the option of depositing additional funds so that the margin on their account is brought back to the required threshold. If the customer does not meet the margin requirements at any time or fails to make a "top-up" margin payment when due, the Trading Platform has the functionality to close the relevant open positions held by that customer. In the event that an open position to which a margin alert has been made remains open, the Trading Platform seeks to automatically close customers' positions when their cash balance reaches zero, although in situations of high volatility the position may not be closed immediately upon reaching a zero balance (such that the customer's balance becomes negative).

The terms and conditions for each of the Group's regulated subsidiaries provide that it will not pursue customers for any negative balance. Such shortfalls are therefore written-off. It is the Directors' belief that customers who must first refund the negative balance on their account before they recommence trading are far less likely to resume trading. The Group regards this practice of writing-off negative balances as a "cost" associated with customer retention, similar to marketing costs incurred in connection with new customer acquisition.

The Group's proprietary risk management system is therefore designed to limit overall exposures to a single instrument together with exposure limits for each customer, which is beneficial for both the Company and the customer, and therefore the market risk in the case of an exceptional event occurring. The Group also limits the risk and exposure on an individual customer level. The Group offers CFDs across a diversified portfolio and in the financial year ended 31 December 2017 had approximately 317,175 active customers; this diversification provides additional risk mitigation as the Group does not have a significant exposure to one underlying asset or a small minority of customers.

Regulators are increasingly focusing on negative balance protection in respect of CFDs offered to CFD traders. For example, BaFin in Germany, and the CySEC in Cyprus have recently introduced new rules to limit the exposure for CFD traders. Furthermore, on 27 March 2018 ESMA announced that it had agreed to make use of its MiFID II product intervention powers in relation to the marketing, distribution or sale to retail clients of CFDs, binary options and other speculative products, in which it proposed to introduce (among other measures) negative balance protection in respect of retail CFDs on a pan-European level. On 1 June, final rules were published in the official journal and will take effect from 1 August 2018.

Whilst the Group expects that these ESMA measures will have an effect on revenue from customers in the EEA in the short term, specifically in relation to the Group's revenue growth which may not increase at the same level as it would have had the ESMA measures not been introduced, which has been factored in to the Board's growth expectations, the Company expects that this will be mitigated by the Group increasingly attracting more customers in the EEA and other customers from outside of the EEA. In addition, the Group derived less than 15 per cent. of its total revenue for the financial year ended 31 December 2017 from CFDs referenced to cryptocurrencies. The Company expects that the ESMA measures, particularly the lower leverage limits on cryptocurrencies, will also have an effect on this revenue stream.

The Group's financial results for the three month period ended 31 March 2018 showed an increasing level of revenue generated from outside of the EEA. For example, revenue generated from customers in Switzerland, Australia, South Africa and New Zealand accounted for approximately 12 per cent. of the Group's total revenue during the financial year ended 31 December 2017 compared to approximately 17 per cent. of the Group's total revenue for Q1 2018. In addition, Plus500SG was not operational during the majority of the financial year ended 31 December 2017. As a result, non-EEA generated revenue is expected to become an even greater proportion of total revenues for the current financial year ending 31 December 2018. The Company believes that this can be further mitigated by providing those of its customers in the EEA that wish to trade on higher margin, the option of applying for an EPC account, such application being subject to approval by the Company and the customer meeting the relevant regulatory requirements (including the guidance on client categorisation issued by ESMA in its Investor Protection Q&As). Plus500UK and Plus500CY began evaluating their customer bases regarding EPC status in February 2018 and consider that across the Group 12 per cent. of its customers in the EEA may be eligible for EPC status. Given that this 12 per cent. generate in aggregate approximately 75 per cent. of the revenue at EEA level, the Board believes that the Group is in a strong position to maintain revenue from those customers given its EPC offering.

Furthermore, since the Group's terms and conditions already provide for shortfalls to be written-off, any new rules or regulations in respect of negative balance protection are not expected to have a material impact on the Group's business. As the Group has always maintained a policy of not pursuing customers in relation to negative balances, it is not anticipated that any such rules or regulations will significantly impact on the Group's capital requirements.

In the UK, on 18 January 2018 and 27 March 2018, the FCA wrote to a number of market participants, including Plus500UK, in relation to the impact of ESMA's product intervention measures on the business models of active CFD providers, and in particular on the impact for IFPRU €730k firms trading as principal and for IFPRU €125k firms trading as matched principals. The FCA noted that it was necessary for firms to assess the consequences of these measures on their internal capital adequacy assessment process, including the requirement to hold additional regulatory capital to mitigate any additional exposure to market risk. The FCA also stated that, in certain circumstances, IFPRU €125k firms might need to vary their regulatory permissions to be able to continue to offer certain products to retail customers. Plus500UK responded to the FCA on 6 April 2018, confirming that: (i) Plus500UK does not intend to request a Variation of Permission on the basis that its existing model, which limits Plus500UK's exposure to market risk through its hedging arrangements with Plus500IL, remains in compliance with its regulatory permission and the relevant rules in the IFPRU sourcebook in the FCA's handbook of rules and guidance; and (ii) ESMA's negative balance protection product intervention measure retains the status quo in respect of the firm's regulatory capital position, as Plus500UK has always offered negative balance protection to its customers.

The Trading Platform provides free of charge, real-time price and data analysis features to customers. The Directors believe that these features give the Group a significant competitive advantage.

The Directors believe there is significant scope for the Trading Platform to process more trades, without a material increase in development costs. The Trading Platform is designed to accommodate additional instruments and customers easily and swiftly, with limited modifications and minimum capital expenditure.

Continued development of the Trading Platform

The development of the Trading Platform continues to evolve in order to meet the growing demands of the Group's active customer base, for example, the Group's timely release of new interfaces for users in connection with the launches of Apple's new operating systems. The Android version has also been updated and has seen a step up in its usability. The Group is constantly updating and introducing new financial instruments to its supported portfolio to meet customer demand across the geographies in which its offering is available.

The industry-wide trend for trading CFDs on smartphones and tablets continues to gather pace. The Group's mobile platforms for both smartphones and tablets now account for more than 75 per cent. of revenues and signups. The Group's mobile app is ranked the highest amongst its peers with an average rating of between 4.2 and 4.5 out of 5 on Google's Play Store and Apple's AppStore as of 12 December 2017. It has also received more reviews than those provided to the Group's competitors.

The Group's web trading platform has been updated with the removal of Flash components for usage of HTML5 and Java Script exclusively. This enables it to run optimally on all smart phones and tablets. The Group has also developed dedicated Windows Phone and Apple Watch apps, which have enabled the Group to further increase its reach.

The stability of the Group has been supported by maintaining a flexible cost structure. The high degree of operating leverage within the business, driven by the efficiency and automation of the Trading Platform, enables the Group to generate a relatively high average revenue per employee whilst maintaining a relatively low average cost per employee, metrics which the Directors believe compare favourably to some of the Group's primary competitors.

Infrastructure and systems

Since its inception the Group has not experienced any downtime of the Trading Platform (other than in respect of scheduled maintenance works). The modular server architecture is designed to maximise trade reliability, speed and security across the Group's network. In addition, the Group operates through a number of different scalable servers, so that if one or more should fail, the remaining servers should be in a position to maintain the Group's operations. The Directors believe that the Group's business model is scalable as a result of the level of automation on the Trading Platform. The Group is also ranked, amongst its primary competitors as the leading iOS finance app.

The Plus500 App: Consistently one of the top Android finance Apps (source: AppAnnie.com).

The network is protected by firewalls against unauthorised intrusions and, to maximise reliability and security, the Group has developed a backup system in the event the systems are unable to perform. All data held in the network is clustered in a "Storage Area Network" and is automatically backed up every few minutes with the backups being transported offsite once a week. The Group tests its disaster recovery procedures and systems for its network, including the Storage Area Network, on a regular basis.

Whilst the Group is responsible for the administration of the Trading Platform, the Group uses a third party hosting service. The third party service provider, which has SAS70 accreditation, is located in the United Kingdom in two separate sites and also provides monitoring services. In the case of a disaster, the third party service provider is responsible for the provision of replacement devices that are ready for deployment.

The Directors believe that as the CFD market continues to grow, the Group's proprietary technology will allow it to grow with it and, at the same time increase the Group's market share. In addition, developing or acquiring the necessary proprietary technology presents high barriers to entry for new entrants into the market due to the time-consuming and/or capital intensive nature of software development or acquisition which is initially required.

Marketing

The Group invests significantly in marketing and advertising as the Directors believe that marketing and advertising are critical for increasing New Customers and Active Customers, which are among the main drivers of revenue growth. The Group seeks to acquire customers through a range of marketing channels, both online (directly and through affiliates) and offline.

All of the Group's international marketing initiatives leverage the "Plus500" brand which is a registered trademark of the Group. Since its IPO in July 2013, over US$440 million has been spent on marketing the Group's offering using the "Plus500" brand and the Directors believe the significant marketing spend is a key competitive advantage of the Group. In the financial year ended 31 December 2017, the Group spent US$156 million on selling and marketing.

The Group's marketing strategy is to focus on investing in targeted and cost-effective marketing initiatives which provide measurable results for the Group. The majority of advertising is conducted through online channels such as search engine websites, mobile apps, social media and the "500Affiliates" programme.

The Group does not focus solely on the cost per new customer acquisition but rather on attracting higher value customers and on enhancing their lifetime value: the largest single driver of the Group's profitability is the difference between the lifetime value and the sales and marketing costs needed to acquire that customer. Given the strength of the Group's marketing initiatives and its focus on return on investment, the Directors are confident that, on average, any increase in user acquisition cost will lead to the acquisition of higher value customers.

As a result of the Group's ongoing marketing initiatives and significant marketing and advertising spend on acquiring New Customers, the Group's average user acquisition cost (AUAC) has decreased by approximately 62 per cent. between 2015 and 2017.

Marketing Machine

To optimise its online marketing strategy, the Group has developed a proprietary, highly effective marketing system known as the Marketing Machine to efficiently acquire customers online and from mobile and tablet devices. Using the Marketing Machine, the Group is able to deploy targeted marketing resources and develop highly effective online marketing campaigns that provide demonstrable and measurable results for the Group. By generating and analysing detailed information on potential customers based on a number of different factors, the Group is able to calculate the prospective return on investment of any potential customer.

The Marketing Machine has a number of APIs which have been developed with various search engines to enable the Group to effectively bid, in real-time on a number of key words in 32 languages, to acquire new customers. The Directors believe that the Group's engagement of suppliers such as Google and Facebook enable the Group to optimise its marketing strategy. These strong relationships together with the Marketing Machine allow the Group to allocate marketing resources in a very targeted, measurable and cost efficient way and thereby more effectively build improved brand awareness across multiple advertising channels and attract a large number of high value customers.

Whilst the Group's engagement of key suppliers has enabled it to optimise its online marketing strategy, a change to one of the key supplier's advertising policies to restrict the advertisement of CFDs (including, for example, advertisements for third party affiliates) could adversely affect the Group's ability to achieve its advertising objectives and consequently its business, financial condition and operating results.

For example, in January 2018 Facebook announced a ban on all cryptocurrency related advertisements on its platform and in March 2018 Google announced that it will update its financial services policy in June 2018 to restrict the advertisement of speculative financial products including, amongst others products, CFDs in jurisdictions where the relevant advertiser does not have a specific licence for such products. Google also intends to restrict advertisements from third party affiliates of such CFD providers. Consequently, CFD providers (and their affiliates) will be required to be certified by Google before they can advertise; there can be no guarantee that the Group will satisfy Google's certification requirements (on behalf of itself and the relevant affiliates in the "500Affiliates" programme). In March 2018, Twitter also added a new policy in respect of advertisements relating to cryptocurrencies under which the advertisement of cryptocurrency initial coin offerings and cryptocurrency token sales are prohibited globally and advertisements relating to cryptocurrency exchanges and wallets restricted to providers that are publicly listed on major stock exchanges. The Group has received confirmation from Twitter that its advertisements will not be subject to Twitter's restrictions on the basis that the Company is publicly listed on a designated major stock exchange (i.e. AIM).

Affiliate marketing

Under the "500Affiliates" programme, the Group maintains a large number of "affiliate" marketing partners, typically operators of one or more websites on which CFD-related products and services are promoted. The Group provides its affiliates with a range of marketing materials designed to direct potential customers who are interested in CFD-related products to the Trading Platform and affiliates are compensated on a fixed fee basis. The Group has been presented with a number of awards by marketing affiliates including "Best Forex Affiliate Programme" and "Best Financial Affiliate Manager" in both 2015 and 2016 at the iGB Affiliate Awards. The Directors believe that the Group's affiliate marketing strategy gives the Group a key competitive advantage.

Offline marketing

The Group also invests in certain offline marketing initiatives through traditional media, such as local and international television advertising, which the Directors believe help contribute to increased brand awareness. In addition, in 2015 the Group signed a sponsorship agreement with Club Atlético de Madrid to be the main sponsor for the 2015/2016 and 2016/2017 seasons. In January 2017, the Group renewed its partnership with Club Atlético de Madrid as official main sponsor for the 2017/2018 season and, in November 2017, the Group again extended its official main sponsorship agreement for a further three seasons.

This sponsorship agreement is summarised at Part XV of this Prospectus.

Furthermore, in December 2016, the Group signed a sponsorship agreement with the Brumbies, the Australian professional rugby union football team, to be its official sponsor for the 2017/2018 season. In November 2017, the Group renewed its partnership with the Brumbies for a further three seasons.

Markets

The Group has a significant market share in the UK, with the majority of its customers located in Europe and Australia. In total, the Group has customers located in more than 50 countries.

The Group focuses its efforts primarily on its existing markets, conducting its operations from eight offices which are located in Haifa (Israel), Tel Aviv (Israel), London (United Kingdom), Sydney (Australia), Limassol (Cyprus), Sofia, (Bulgaria), Singapore (Singapore) and Cape Town (South Africa).

As a result of the online nature of its business and its international reach, which covers markets in the world's major time zones, the Trading Platform is accessible 24-hours, seven days a week, from any connected device, providing the Group's customers an ability to trade in most instruments 24-hours a day, five days a week in the time zone of the relevant market (other than CFDs referenced to cryptocurrencies which can be traded 24-hours, seven days a week excluding Sundays at 12:00-14:00 UTC).

Europe

The Group's offering is available in Europe, which it considers to be its core market, comprising US$262 million (or 80 per cent.) of the Group's trading income in the financial year ended 31 December 2016 and US$334.2 million (or 76 per cent) of the Group's trading income in the financial year ended 31 December 2017. The Directors believe that of all the markets in which its offering is available, Western Europe (2017: 70 per cent. of the Group's revenue) presents the Group with the best opportunity to attract high value customers to the Trading Platform, and consequently it is a key focus of the Group's strategy to attract and retain high value clients in this market. Due to the Group's relatively low cost structure and targeted online marketing efforts, it is still profitable for the Group to attract customers from countries with a lower GDP such as those in Eastern Europe.

The Group commenced its operations in the United Kingdom in June 2010 with Plus500UK having received its licence to operate a financial services business in the United Kingdom from the FCA. The Group, through its Cypriot subsidiary, Plus500CY, has been authorised and regulated by the CySEC in Cyprus since October 2014. By virtue of the licences, both Plus500UK and Plus500CY are able to "passport" their offering throughout the EEA. In practice, customers based in the United Kingdom are on-boarded through Plus500UK and the majority of all other EEA-based customers are on-boarded through Plus500CY. The distribution and marketing of leveraged CFDs (and similar products) to retail customers has been prohibited in Belgium since 18 August 2016 and the Group no longer accepts Belgian resident customers. As set out in detail in section 3 of Part IX (Regulatory Overview), the Company reached a settlement with the Belgian FSMA in April 2017 in relation to a regulatory investigation for offering FX products and CFDs into the territory of Belgium without submitting a prospectus.

The United Kingdom represents the Group's largest geographical market by revenue, comprising US$61.4 million (or approximately 19 per cent. of the Group's revenue) for the financial year ended 31 December 2016 and US$68.6 million (or approximately 16 per cent. of the Group's revenue) for the financial year ended 31 December 2017.

Australia

The Group commenced its operations in Australia after receiving its licence from ASIC in 2012.

The Group has since grown its operations in Australia, and for the financial year ended 31 December 2016, the region accounted for US$23.4 million, approximately 7 per cent. of the Group's revenue. For the financial year ended 31 December 2017, Australia represented US$23.7 million or approximately 5 per cent. of the Group's revenue.

Rest of the World (including New Zealand, South Africa, Israel and Singapore)

Aside from the Group's principal operations in Europe and Australia, the Group has customers in Asia, the Middle East, other further geographical markets. Taken together, the Rest of the World (including New Zealand, South Africa, Israel and Singapore) contributed a further US$42.5 million (or approximately 13 per cent. of the Group's revenue) in the financial year ended 31 December 2016, and US$79.3 million (or approximately 18 per cent. of the Group's revenue) in the financial year ended 31 December 2017.

Customer Base

The Group has a highly diverse, international customer base with no 'typical customer'. The Group's customer base comprises solely retail customers and the Group does not accept any institutional customers to the Trading Platform.

During the year ended 31 December 2017, the Group had 317,175 Active Customers who traded on the Trading Platform, an increase of 103 per cent. when compared to the year ended 31 December 2016.

The Group has experienced rapid growth since its inception with New Customers increasing by approximately 28 per cent. from 2014 to 2015, by approximately 23 per cent. from 2015 to 2016 and by approximately 136 per cent. from 2016 to 2017.

Whilst the Group's international customer base is highly diverse, the fact that it focuses solely on retail customers means that it is exposed to a market concentration risk which is likely to amplify any material adverse effect on the Group's business, financial condition and operating results arising from any occurrence specifically affecting the retail sector of the CFD industry. For example, one such occurrence could be regulatory intervention affecting the CFD industry which specifically seeks to protect retail customers (including, for example, ESMA's work in relation to CFDs, binary options and other leveraged products offered to retail clients).

In addition, the Group generates the majority of its revenue from customers in Europe, which in aggregate accounted for approximately 76 per cent. of the Group's revenue in the financial year ended 31 December 2017. Given that the majority of the Group's revenue is derived from one geographic region, the occurrence of, amongst other things, legislative changes, regulatory interventions or geopolitical or economic events within that region could leave the Group overly exposed to material adverse effects on the Group's business, financial condition and operating results arising from any such occurrence.

Employees

The Directors believe that the Group's business model has enabled it to minimise costs, particularly with regard to its overall number of employees. The high degree of operating leverage within the business, driven by the efficiency and automation of the Trading Platform has enabled the Group to have a lower number of employees than its competitors for a company of a similar size to the Group.

However, in light of recent regulatory focus on the industry and taking account of the Group's growth, the Group has in the past 2 years sought to increase the number of total employees so as to ensure that regulatory requirements are adhered to. The following table sets out the average number of total employees of the Group during the financial years indicated:

	2015	*2016*	*2017*
Key Management			
HQ (Israel)	9	9	8
Israel	1	1	1
Australia	1	1	1
Cyprus	1	1	1
UK	1	1	1
Singapore	–	–	1
Bulgaria	–	1	1
Finance			
HQ (Israel)	5	6	10
Israel	2	2	3
Australia	2	2	2
Cyprus	4	4	4
UK	3	3	3
Singapore	–	–	2
Bulgaria	–	1	1
Operations & Compliance			
HQ (Israel)	43	57	43
Israel	1	3	3
Australia	2	5	10
Cyprus	8	11	13
UK	7	8	10
Singapore	–	–	2
Bulgaria	–	135	223
Marketing			
HQ (Israel)	18	28	27
Israel	–	–	–
Australia	–	–	–
Cyprus	–	–	–
UK	–	–	–
Singapore	–	–	–
Bulgaria	–	–	–
R&D (including I.T. & Technology)			
HQ (Israel)	20	21	25
Israel	–	–	–
Australia	–	–	–
Cyprus	–	–	–
UK	–	–	–
Singapore	–	–	–
Bulgaria	–	–	–
TOTAL	128	300	395

Whilst incentivisation of employees is important to the Group, it does not currently operate any share incentive schemes or share option plans that could result in the issue of Ordinary Shares. It does, however, operate a Share Appreciation Rights scheme, whereby participants are granted the right to receive a cash payment based on being in employment at the end of the period together with any appreciation in the market price of the Ordinary Shares as adjusted for dividends from the date of grant to the relevant vesting date. The Directors consider this to be an efficient structure that facilitates medium-term rewards to employees but maximises shareholder value.

The Group is subject to various laws that regulate wages (including minimum wages laws), hours, benefits, and other terms and conditions relating to employment in the various jurisdictions in which its offering is available.

2. KEY STRENGTHS

The Directors believe that a number of key strengths have enabled the Group, in the relatively short period of time since it was established in 2008, to grow rapidly and that these will continue to be significant drivers of the Group's future growth.

Self-developed, User Friendly and Robust Trading Platform

Demo account

The Directors believe that offering potential customers the opportunity to operate a demo account for an unlimited period of time ensures that customers have an opportunity to familiarise themselves with the features of the Trading Platform before they commence trading using a real money account. The Group is also able to allow customers to open real money accounts with relatively small deposits when compared to many of its primary competitors as it pays no external licence fees for its core Trading Platform technology due to its proprietary nature.

Owing to the fact that the Group has developed its own proprietary technology, it does not need to pay any external licence fees or incur other third party costs in relation to the Trading Platform technology. This gives the Group the flexibility to allow prospective New Customers unlimited use of a demo account and easily reduce the thresholds on the minimum amount with which a New Customer can open a real-money trading account. The Trading Platform also provides real-time prices and data analysis features, free of charge, to customers who have either a demo account or real-money trade account. The Directors believe that these features, together with the device agnostic omni-channel trading experience that the Group offers its customers, gives the Group a significant competitive advantage in acquiring and retaining New Customers.

Flexibility for new products

The Trading Platform has been developed in-house and is founded on proprietary technology that does not rely on third party software suppliers and is supported solely by the Group's internal technical expertise. The Group employs an in-house development team and has 25 specialists who are focused on continually expanding and improving the Group's Trading Platform. The Directors believe that the Group's technology capabilities and its in-house development team provide it with a number of significant competitive advantages versus its peers, namely expedited product development, the ability to react quickly to dynamic market conditions, an enhanced user experience and an attractive financial profile as no licence fees are payable to third party technology providers.

Since the Group was established, the flexibility provided by using its own proprietary technology has allowed it to rapidly develop and deploy new financial products in the face of continuously changing market conditions. For example, in order to take advantage of the increased market trading that typically accompanies high profile IPOs of consumer facing companies, the Group was amongst the first in the market to enable its customers to trade CFDs immediately on newly listed companies such as Facebook and Dropbox. Furthermore, the Group was also among the first CFD providers to offer its customers the opportunity to trade CFDs on emerging financial instruments, such as Bitcoin and, more recently, cryptocurrencies including Bitcoin Cash, Ethereum, Litecoin, Ripple, NEO and IOTA. The Directors believe that the Group's success in being one of the first to market with such CFDs is primarily due to the flexibility that is provided by the self-developed nature of the technology upon which its Trading Platform is built.

Multiple operating platforms

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 PC, web-based, mobile, tablets and wearable formats. This approach ensures that customers are able to enjoy a full omni-channel experience allowing customers full accessibility to trade the financial instruments usually available to them, across all formats and through a single customer account, which provides the customer a familiar interface requiring no learning curve when switching between formats. Customers can trade and access their account information in a truly device agnostic manner, which increases accessibility to, and traffic on, the Trading Platform. Furthermore, providing access to real-time prices enables customers to continuously monitor their open positions and trading activity and have immediate access to execution capabilities across a multitude of order types.

The Directors believe that one of the key contributing factors to the Group's growth has been its success in offering its customers a high quality trading experience on a wide variety of mobile devices. The Group, together with its primary competitors, was one of the first innovators in the mobile trading of CFDs, developing and launching its iOS mobile app for use on iPhones and iPads in 2011, just two years after it introduced its first desktop PC version of the Trading Platform, and, a year later, in 2012 it introduced an Android mobile app for smartphone and tablet users. The Plus500 Android app also has the highest rating among its peers with approximately 60 per cent. of users, who rated the Android app, giving it a perfect rating.

In recent years, mobile users have been a significant driver in the growth of the retail CFD market. During the financial year ended 31 December 2017, over 75 per cent. of the Group's revenue derived from trades that were executed on the Trading Platform using a mobile device. This demonstrates the growing importance of mobile technology within the CFD trading industry. The Directors believe that the Group's self-developed technology has provided it with the flexibility and know-how in mobile app development to maintain its position as one of the leading CFD providers with a seamless omni-channel trading experience on the Trading Platform.

The Group's ability to develop new platforms together with a continuously growing offering of financial instruments without having to rely on any third party providers allows it to rapidly respond to changes and updates in mobile operating systems. For example, the Group has issued updates to its mobile apps on day one of all new major releases of iOS and expects to be in a position to continue to launch new versions of its mobile app in a very timely and cost efficient manner.

Local language websites and customer support

The Group offers its product through its Trading Platform which enables its customers to trade CFDs referencing more than 2,200 financial instruments in over 50 countries, in 32 different languages, across multiple channels. In addition to language customisation, the Group's website and mobile app are modified for local payment procedures, such as locally preferred financial instruments, and online, local language customer support from the Group's customer support team based in Bulgaria, who also provide 'live chat' customer support in ten languages. The compliance officers for each of the Group's regulated subsidiaries travel to Bulgaria on at least an annual basis (and at more frequent intervals as may be deemed necessary by the Group) to provide compliance training to the Group's customer support team to ensure that they remain aligned with best practice. In addition, the customer support team have a direct line of communication to the respective compliance officers for any ad hoc compliance queries that may arise. The Group also has complaints teams in each of the jurisdictions in which its regulated subsidiaries are incorporated such that each subsidiary has full oversight of, and responsibility for, any complaints submitted by those customers that it was responsible for on-boarding.

The Trading Platform enables the Group to provide its customers with a differentiated customer experience according to their geographical location and language and has been a key component in enabling the Group to achieve, in a relatively short period of time, rapid growth within the CFD sector in a number of geographies.

Robust architecture

Since its inception the Group has not experienced any unscheduled downtime of the Trading Platform. The modular server architecture is designed to maximise trade reliability, speed and network security across the Group's network. The Directors believe that the high degree of modularity and reliability of the Trading Platform has been a key factor in the rapid growth of the Group and its success in building a scalable business model. In the financial year ended 31 December 2017, over 37,523,797 million trades were executed on the Trading Platform. The Directors believe there is significant scope for the Trading Platform to process more trades, without a material increase in development costs as it is designed to accommodate additional instruments and customers easily, with limited modifications and relatively insignificant capital expenditure.

Analytics Driven, Returns Focused Customer Acquisition Model

In order to cost-effectively grow its New Customer and Active Customer base and improve user acquisition initiatives, the Group developed a proprietary online marketing system based on data analytics tools, proprietary algorithms and business practices. The Marketing Machine is a sophisticated proprietary analytical platform that efficiently monitors and assists with controlling marketing and acquisition spend, allowing the Group to deploy targeted marketing resources and develop highly effective online marketing campaigns that provide demonstrable and measurable results.

The largest single driver of the Group's profitability is the difference between the revenues generated by a customer over time and the sales and marketing expenses needed to acquire that customer, known as Average User Acquisition Cost ("**AUAC**"). To efficiently monitor and control AUAC the Marketing Machine measures and analyses potential customers' attributes and activities. The full AUAC is expensed when a New Customer is signed up and revenue is recognised only for that customer's activity during the relevant period. A large rise in New Customers in a period may therefore impact margins in the short term as the cost of acquisition is recognised in the relevant period but these New Customers are the source of revenue growth as future revenue may continue for a number of years.

The Group seeks to allocate marketing resources in a very targeted, measurable and cost efficient way and, in doing so, more effectively build improved brand awareness across multiple advertising channels and attract a large number of high value customers. The Group's automated marketing capabilities are designed to ensure that, in the round, it is most likely to acquire New Customers that will be valuable to the Group, by targeting an average lifetime return on investment of at least 100 per cent. The effectiveness of the Marketing Machine is demonstrated by the Group's financial performance, specifically its ability to achieve EBITDA margins in the year ended 31 December 2016 and the year ended 31 December 2017 of 46 per cent. and 59.3 per cent respectively.

In developing and deploying online marketing campaigns, the Group engages the leading online search engines and social media networks in the geographies in which its offering is available enabling the Group to refine and optimise the design of the specific marketing campaign, thereby enhancing its effectiveness. The Group's close partnerships with these leading online players allow it to run split testing techniques of different versions of its websites and mobile apps to determine which perform better and thus improve customer acquisition and conversion rates. The Directors believe these partnerships are a unique competitive advantage as they are a key factor in ensuring the optimisation of each marketing campaign and further maximise the return on investment of the Group's marketing and user acquisition spend.

Differentiated User Experience

The Directors believe that the Group offers its customers a differentiated user experience through a combination of its user friendly, robust Trading Platform, breadth of offering, innovation and customer- centric approach. This differentiated user experience has helped the Group to rapidly develop within the CFD sector, growing Active Customers from 136,540 to 317,175 at a CAGR of approximately 132 per cent. between 2015 and 2017. The Directors further believe that the differentiated user experience is a key reason that, in 2017, the Group's main market share of the CFD market stood at 13 per cent. in the UK market and 8 per cent. in the Spanish market, compared to CMC Markets, whose main market share of the CFD market stood at 9 per cent. in the UK market and 5 per cent. in the Spanish market Investment Trends reported that in 2017 ease of use of platform was the top selection driver for the Group, with 55 per cent. of its customers including it in their top five selection drivers.

Customer Centric Approach

- Of its primary competitors, the Group is the only CFD provider whose sole focus is the retail segment of the market. Enjoying this singular focus without the distractions of having to attend to the different needs of higher net worth or institutional customers, the Directors believe that the Group is well placed to continue delivering a high-quality offering and user experience to its core retail customer base.
- In order to prevent customers from being exposed to financial losses greater than their cash deposits, the Group operates a risk management policy whereby the Trading Platform closes any open positions of a customer in the event that the cash deposit in a customer account falls below a certain pre-defined threshold. Furthermore, in circumstances where a customer's position has remained

open and their loss exceeds their cash balance, the Group does not seek to recover such shortfalls from customers and does not currently anticipate a change to this practice. It is the Directors' belief that customers who must first refund the negative balance on their account before they recommence trading are far less likely to resume trading. The Group regards this practice of writing-off negative balances as a "cost" associated with customer retention, similar to marketing costs incurred in connection with new customer acquisition.

- The Group provides its customers with access to the Trading Platform free of charge, including real-time prices and data analysis features, 24 hours a day, 365 days a year, even when some of the markets upon which the underlying instruments trade are not open. Furthermore, customers' fund withdrawal requests are approved on a daily basis thereby typically allowing customers access to their funds within one business day of a withdrawal request.
- The Group does not limit the amount of time a New Customer can use a demo account and does not place high thresholds on the minimum amount with which a customer can open a real-money trade. This allows customers more time and flexibility to learn about CFD trading, to test trade new instruments introduced to the platform and how to best use the Trading Platform before being required to commit to a real-money account.

Pricing

- The Group does not charge a commission on trades executed on the Trading Platform.

Effective, Comprehensive Risk Management Capabilities

In addition to its client-centric customer interface, the Trading Platform is closely integrated with the back-end operations allowing a significant degree of automation with customer trades updated automatically and real-time position keeping allowing customers to monitor open positions and their trading activity on a continuous basis. The flexibility provided by the self-developed technology has allowed the Group to develop robust risk management practices as the Trading Platform is fully integrated with the Group's risk management systems and provides around the clock visibility to the Group's various exposures such as capital, trading and liquidity positions. This level of integration enables the Group to make real-time decisions regarding customer, instrument and position limits that may need to be altered and updated in the face of changing market conditions, which prevent new positions being opened that would breach the position limits minimising the maximum potential loss of any individual instrument.

The Group monitors instrument level correlations and volatility on a consistent basis to set appropriate limits that minimise risk at the Group level. The volume of trading activity results in a natural hedge for the Group as, over an extended period, customers' long-open positions invariably set off against other customers' short-open positions and vice versa.

The Group's strong track record in managing market risk can be demonstrated by looking at the number of profitable trading days that are achieved over a given period. For example, in 2017 the Group made a profit on over 86 per cent. of the trading days throughout the year with the remaining 14 per cent. of the trading days showing relatively immaterial losses. A further example of the Group's high-quality risk management capabilities within the CFD sector was demonstrated in January 2015, when the Swiss Franc was unexpectedly "unpegged" against the Euro, and the Group was one of the few market participants to make a profit.

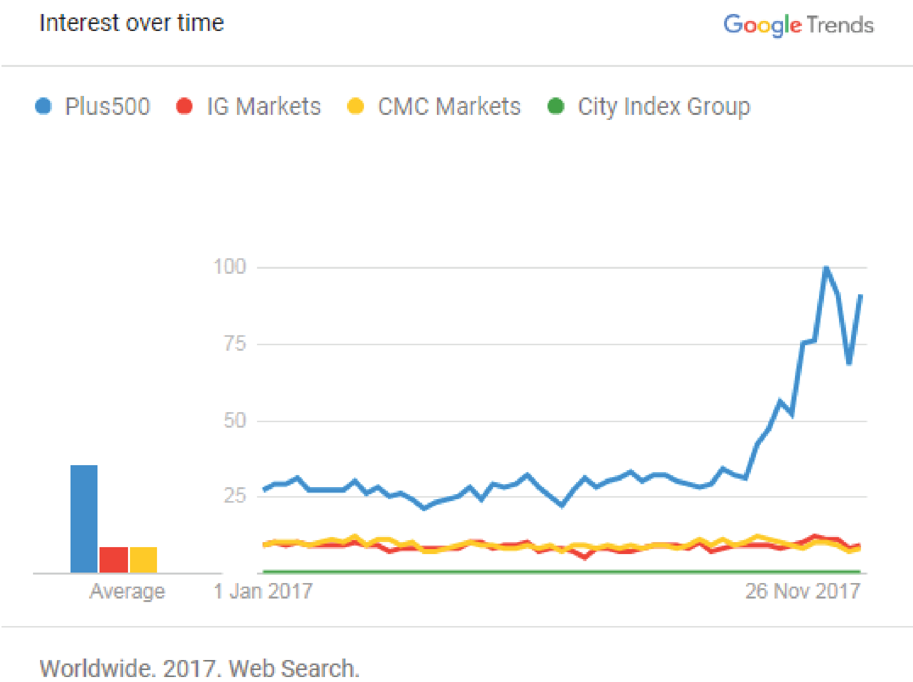
Strong International Brand

Since its establishment in 2008, the Group has rapidly established a very strong brand with its offering available in over 50 countries, particularly in the online and mobile segments. The Group's rapid international expansion has largely been driven by its strong online and mobile capabilities and the provision of a highly localised user interface that allows customers to access and trade on the Trading Platform whilst accommodating local conventions. The Group has successfully managed to develop its broad international presence with "on the ground" infrastructure in seven jurisdictions (the UK, Israel, Cyprus, Bulgaria, Australia, Singapore and South Africa) allowing the Group to rapidly scale in a cost effective manner.

For the year ended 31 December 2017, the Group generated 76 per cent. of its revenues from Europe (including 16 per cent. from the UK). 70 per cent. of the Group's revenues came from Western Europe and 6 per cent. came from Eastern Europe, 5 per cent. from Australia and the remainder from the Rest of the World (including New Zealand, South Africa, Israel and Singapore).

Since its IPO in July 2013, the Group has invested over US$440 million in developing its brand through various marketing activities and initiatives, particularly its data analytics driven online marketing campaigns and deep partnerships with leading search engines and social networks in the geographies in which the Group's offering is available. According to Google Trends analysis, the Group is currently ranked first in worldwide searches on Google when compared to each of its competitors. According to Investment Trends' 2017 UK Leverage Trading Report, the Group was the number two CFD provider in the UK with a 15 per cent. overall market share; and according to Investment Trends' May 2017 Australia CFD Report, the Group was overall the number three CFD provider in Australia and ranked first in Australia for mobile device capabilities. The Group's brand leadership also extends to the mobile segment where its iOS and Android mobile apps are ranked the highest amongst its peers with an average rating of 4.2 and 4.5 out of 5.0, respectively, on both Apple's AppStore and Google's PlayStore as at 12 December 2017.

The following graph shows worldwide searches for "Plus500" compared to its competitors during 2017:



On this basis, the Directors believe that the Group has a leading brand in the CFD trading industry which acts as a significant barrier to entry for any new market entrant seeking to build an online presence in the sector.

Experienced Management Team with Complementary Skillsets

The Directors believe that the Group has a strong senior management team, bringing together complementary skills across technology, particularly in software and user interface development, the understanding of financial markets and regulatory expertise. The Senior Management's background in these key areas is demonstrated not only by the Group's rapid growth since its founding in 2008, but also by its strong financial performance achieving a 58.6 per cent. revenue increase between the financial years ending 31 December 2015 and 31 December 2017 and EBITDA margins of 59.3 per cent. for the financial year ended 31 December 2017.

The Senior Management's extensive experience in technology has enabled the Group to become a leading innovator in the retail CFD industry, as it was amongst the first in the market, together with its primary competitors, to provide its customers with a user friendly, reliable trading experience over mobile devices and the offering has been further developed to deliver its customers a true omni-channel trading experience allowing them to access information and trade instruments across PC, web, tablet, mobile or wearable platforms in a device-agnostic manner.

The Group's Senior Management has recently been strengthened with the addition of new executives with extensive regulatory and compliance expertise. Asaf Elimelech was appointed as Joint Group CEO on 28 February 2016 and was subsequently appointed to the role of Group CEO on 1 May 2016. Asaf previously served as the CEO of Plus500AU Pty Ltd, an FCA "Approved Person" exercising a director function "CF1" director of Plus500UK and a supervisor at PwC Israel. Mark Winton, was appointed as CEO of Plus500UK on 16 February 2015. Mark previously served as Head of Compliance at Alpari UK and at London Capital Group Holdings plc, Astaire Securities and various other companies, primarily in senior risk management and compliance roles.

Furthermore, the appointment to the Board in June 2016, and as Chairman of the Board in June 2017, of Penny Judd, who previously served as EMEA Head of Compliance at Nomura International plc for 3 years and 6 months and as EMEA Head of Compliance at UBS AG for almost 10 years serves to further strengthen the Board as well as provide the Group with additional regulatory and compliance expertise.

In addition, the recent appointment to the Board, in June 2017, of Steven Baldwin as a Non-Executive Director further adds to the Board's expertise. Mr Baldwin previously held the position of Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until February 2015. Prior to this Mr Baldwin was a Director at JP Morgan Cazenove for 10 years and was a Vice President of Corporate Finance at UBS from 1995 to 1998.

Attractive financial profile with significant operational leverage and an ongoing focus on returning capital to shareholders

Since its establishment in 2008, the Group has demonstrated an exceptionally strong track record of revenue and EBITDA growth as well as increasing EBITDA margin. The Group's revenue and EBITDA increased by 59 per cent. and 95 per cent., respectively between the years ended 31 December 2015 and 31 December 2017, and the Group's EBITDA margin increased from 48.2 per cent. in the year ended 31 December 2015 to 59.3 per cent. in the year ended 31 December 2017.

The Group's revenue growth has largely been driven by its success in both the acquisition of New Customers and the growth in Active Customers, which grew 191 per cent. and 132 per cent. respectively between 31 December 2015 and 31 December 2017. The Directors believe that the Group's success in driving significant growth in both New Customers and Active Customers is primarily as a result of ongoing investment in its brand and the Trading Platform, extending the number of financial instruments it offers and expansion into new geographies.

The growth in EBITDA margin between the years ended 31 December 2015 and 2017 reflects the high degree of operational leverage in the business and efficient control of non-customer acquisition costs. Whilst revenues grew 59 per cent. between the years ended 31 December 2015 and 2017, non-customer acquisition costs grew 57 per cent. The Directors believe the highly efficient operating model based on the Group's in-house developed Trading Platform gives it a material advantage compared to its peers. Furthermore, as the Group's offering is available internationally, largely via localised websites and mobile apps, it is able to limit its physical presence and infrastructure to the jurisdictions in which it is regulated (including Bulgaria) and hence reduce the expenses typically associated with on the ground international operations.

The Group has limited capital expenditure requirements and therefore benefits from very strong cash flow conversion. Over the three years to 31 December 2017, the Group has converted an average of 103 per cent. of EBITDA to free cash flow. This excellent cash generation and limited regulatory capital requirements allows the Group to make significant distributions to shareholders in the form of dividends and special dividends. At IPO in 2013, the Group had a policy of distributing 50 per cent. of net income as dividends to shareholders and since 2014, the Group increased its policy to distribute 60 per cent. (rather than 50 per cent.) of net income as dividends to shareholders. Since the Company's IPO in 2013 and including the dividends declared in February 2018, the Company's shareholders returns in the form of dividends (in excess of US$530 million) and share buybacks are more than double than its total market capitalisation on its IPO (US$200 million based on the exchange rate at the time of the IPO).

In addition to its ability to generate strong cash flow, the Group does not have any debt. The Directors believe that the scalability of the Group's operating and financial model, coupled with its strong capital base, will enable it to continue to grow the number of financial instruments it offers, the geographies in which its offering is available and ultimately the number of New Customers and Active Customers with minimal incremental growth in operating expenses.

In addition, the Company commenced two share buyback programmes in 2017 with the intention of returning additional capital to shareholders. For more information on the share buyback programmes please refer to section 7 of Part VII (*Information on the Group*).

3. STRATEGY OF THE GROUP

The Directors believe that the Group has established a strong foundation from which it is well positioned to deliver future growth. The Group's strategic priorities are founded on six core tenets which the Directors believe have to date differentiated, and will continue to differentiate, the Group from its competitors and be fundamental to the Group's future success.

Continue to acquire New Customers and retain Active Customers

Plus500 attracted approximately 246,000 New Customers in the financial year ended 31 December 2017 compared to 84,858 and 104,432 New Customers in the financial years ended 31 December 2015 and 31 December 2016 respectively. The Directors believe that the Group's marketing initiatives, which monitor and control marketing and customer acquisition spend based on data analytics tools and proprietary algorithms, allowing the Group to deploy targeting marketing resources and develop highly effective marketing campaigns, has been and will continue to be the driving force behind New Customer growth, both within the Group's current markets and potential new jurisdictions. In addition, the increasing interest in the price movements and volatility of cryptocurrencies has also contributed to the rise in New Customers, especially in Q4 2017, as customers were able to take part in a volatile market without the need to purchase the actual underlying cryptocurrency with its associated risks. The Group intends to continue to invest in and develop the Marketing Machine to ensure that it remains a key differentiator from its competitors and attract New Customers.

As at 31 December 2017, the Group had approximately 317,175 Active Customers, an increase of 103 per cent. compared to the prior year. The Directors believe that the Group's marketing strategy, which includes the main sponsorship agreement of Club Atlético de Madrid (UEFA Champions League finalists in 2016 and semi-finalists in 2017) and the main sponsorship agreement of the Brumbies (the Australian professional rugby union football team) as well as ongoing online campaigns, assisted in raising awareness of the Plus500 brand which contributed to the growth in Active Customers. The Group intends to continue to market the brand in measurable, innovative, cost effective ways to increase awareness and attract new and higher value customers.

The retention of Active Customers is also a key strategic priority for the Directors. The Directors believe that the device agnostic omni-channel experience that Plus500 offers its customers, together with the broad set of instruments to trade, sets the Group apart from its competitors and are the principal reasons for the retention of Active Customers. This combination provides a powerful retention tool which the Directors believe will improve further over time leading to longer active periods for customers.

Increase trading volume from Active Customers on the Trading Platform

The Directors believe that the Group's consistent focus on innovation, best-in-class user experience and breadth of offering are the key elements of increasing activity of Active Customers on the Trading Platform. The Group's continued emphasis on innovation will enable it to continue to be amongst the first to market in launching new instruments which customers find desirable, such as high profile, newly listed equities. The Group was amongst the first to develop dedicated Windows Phone and Apple Watch apps and has recently launched a new WebTrader platform that fits itself to all resolutions, whether it is on a desktop, tablet or mobile. These examples demonstrate both the focus on innovation and enhanced user experience with which the Group provides its customers on an ongoing basis which results in increased activity on the Trading Platform by Active Customers and assist in the re-engagement of dormant customers.

Increase market share in existing jurisdictions and expand into new jurisdictions

The Group generates revenues internationally. The UK is the Group's largest market accounting for 16 per cent. of revenues in the year to 31 December 2017.

The Group intends to increase its market share in the jurisdictions in which its offering is currently available and expand its geographic reach over time through entry into new jurisdictions in which it does not currently have customers and by focusing on acquiring New Customers from regulated markets, particularly those New Customers resident in Western European countries.

Continued investment in the Group's brand, through technological and marketing initiatives, have contributed to the Group achieving the highest brand awareness amongst competing CFD providers according to Google Trends analysis, which ranked the Group first in worldwide searches on Google when compared to each of its competitors. An increase in market share in existing jurisdictions and expansion into new jurisdictions will strengthen the Group's international brand further.

Continue to improve compliance and apply robust risk management policies and procedures

In 2015, the Group made significant progress in enhancing its compliance and on-boarding processes in line with the recommendations of the Group's regulatory advisors and Skilled Persons reports. It also strengthened management in all the territories where the Group holds a regulatory licence. The Directors are committed to ensuring high standards of regulatory compliance are adhered to by continuing to develop the Group's compliance policies in line with the regulatory environment in which the Group's offering is available. Furthermore, the Directors believe that the appointment of Penny Judd as a Non-Executive Director in June 2016, and as Chairman of the Board in June 2017, and the appointment of Steven Baldwin as a Non-Executive Director in June 2017, will further enhance the oversight of Group's compliance and risk management function.

The Group has developed a proprietary risk management function that incorporates real-time financial risk limitation systems with Group hedging and trading limit triggers. The Group imposes trading limits on individual customers to mitigate the risk that the Group becomes overly exposed to the trading positions of any such customers. Monetary limits are also in placed on the Group's exposure to individual instruments. These limits are set according to, amongst other things, the asset class of the underlying instrument, size, liquidity and 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 underlying instrument until such time as exposure levels fall below the relevant threshold(s). To manage risk further the Group has a hedging policy in place which seeks to mitigate exposure of the Group as a whole beyond certain thresholds. The Directors intend to continuously monitor the Group's risk management policy to ensure that the high standards are maintained. Further discussion of the Group's hedging and risk management policy can be found in Part VIII (*Risk Management and Hedging*). The Directors intend to continue to invest in its risk management function alongside the Trading Platform to improve functionality and monitoring capability.

Continue leadership in innovation and Research & Development ("R&D")

The Directors believe that the Group's dedicated and highly skilled R&D team, which is responsible for the ongoing development of the Trading Platform, Marketing Machine and other marketing initiatives, has and will continue to be a crucial factor in the ongoing success of the Group. Since its inception, the Group has put significant emphasis on continuous innovation within these three areas. Therefore, it is the Directors' belief that continued investment in developing sophisticated technology is critical to the Group maintaining its position within the CFD sector.

The Directors understand the need to develop and deploy new and innovative financial instruments as part of the Group's strategy to continue to build a loyal and engaged customer base. Furthermore, the Directors believe that through ongoing research, data gathering and analysis of the Group's customer base and their usage trends, the Group will be able to focus investment on and develop more effective marketing initiatives, and innovative products to effectively create future growth opportunities and products. The Directors believe that this dynamic represents a "virtuous cycle" in which each successive round of innovation and development benefits from the data gathered and analysed during the previous one.

The Directors believe the Group's superior mobile offering is a key part of its future strategy. The Group is an industry leader within the CFD sector in mobile innovation and customer satisfaction, with over 75 per cent. of 2017 revenues and New Customers originating from mobile platforms for both smartphones and tablets. The Group's mobile app is ranked the highest amongst its peers with an average rating of 4.2 and 4.5 out of 5.0, respectively, in Apple's AppStore and Android's Google Play store. In addition, at the time of writing the Group's app has received more reviews and downloads than any of its primary competitors.

Continue to optimise our operating model to further drive financial performance

The Directors intend to continue to enhance aspects of the Group's operating model in order to drive further improvements in financial performance.

The Directors have a strong focus on costs, with the aim of maintaining high operational leverage in the business so as to maximise the economic benefit from future growth in the Trading Platform. The Directors believe that it is critical to minimise the marginal cost of acquiring New Customers to the Trading Platform and to this end, the Directors believe that continued investment in and development of the Marketing Machine will enable the Group to further enhance its ability to efficiently and cost-effectively acquire New Customers. By progressively improving the Group's capability to accurately evaluate the future value of prospective customers, and thus make better informed search engine bids, the Directors expect that the Group can continue to increase its return on investment.

The nature of the Group's proprietary technology enables it to expand into new geographies without the need for a physical presence in those markets, which in turn limits the capital expenditure required to increase its geographic reach. This is demonstrated by the Group's existing customer geographic footprint in over 50 countries, which has been achieved with only eight offices worldwide. The Directors intend to continue to leverage the Group's scalable business model as it seeks to expand into new geographies.

The Group does not currently have, nor has it ever had since its inception, any borrowings or financial debt. As a result of the absence of any interest payments and financial covenants or restrictions, the Group is able to maintain a higher degree of flexibility and control over its operations.

The Group is also focused on increasing customer retention which it is expected will further drive Group revenues.

4. RISK MANAGEMENT AND HEDGING

The technology developed by the Group incorporates real-time financial risk limitation systems with certain Group hedging and trading limit triggers.

The Directors believe that there is also a high level of natural hedging arising from the differing trading positions taken across the Group's international customer base.

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

Further details are set out in Part VIII (*Risk Management and Hedging*) of this Prospectus.

5. REGULATION

The Group is regulated in the EEA, Australia, South Africa, Israel, New Zealand and Singapore and its services are also available in certain other jurisdictions.

The Group has six subsidiaries which have been granted licences by regulators: Plus500UK, which is authorised and regulated in the United Kingdom by the FCA and has obtained "passports" allowing it to offer its services in the EEA; Plus500CY, which is authorised and regulated in Cyprus by the CySEC and has similarly obtained "passports" allowing it to offer its services in the EEA; Plus500AU, which is authorised in Australia by ASIC, in New Zealand by the FMA and in South Africa by the FSCA; Plus500IL, which is authorised in Israel by the ISA; Plus500SG, which is regulated and licenced in Singapore by the

MAS and Enterprise Singapore; and Plus500SA, which is authorised in South Africa by the FSCA. For more detail please see Part IX (*Regulatory Overview*).

Each of these six regulated subsidiaries are responsible for the on-boarding of customers based in certain geographies as follows:

Group company	***Geographic location of customers on-boarded***
Plus500AU	Australia, New Zealand and South Africa
Plus500CY	EEA (but excluding the United Kingdom, Germany and the Netherlands) and Rest of the World (excluding South Africa, Israel, New Zealand and Singapore and the Restricted Jurisdictions)
Plus500IL	Israel
Plus500SG	Singapore
Plus500UK	United Kingdom, Germany and the Netherlands

The Group on-boards German and Dutch customers through Plus500UK, rather than Plus500CY, to improve operational efficiency by balancing internal workload in relation to customer on-boarding and associated costs between these two subsidiaries.

Failure to operate in accordance with required authorisations, approvals, licences, permits and/or the regulatory framework as a whole in any jurisdiction may give rise to a number of significant risks. For more detail please see Part II (*Risk Factors*).

6. REASONS FOR OBTAINING A PREMIUM LISTING AND MOVING TO THE MAIN MARKET

The Directors believe that Admission will:

- provide a more appropriate platform for the continued growth of the Group and further raise its profile and status;
- increase the profile of the Group in the UK and internationally, thereby helping it to attract New Customers;
- benefit Shareholders due to the further development of the Group's corporate governance, regulatory and reporting disciplines (although the Group already adopts many of the corporate governance, regulatory and reporting disciplines of companies with a Premium Listing);
- further place the Company in a better position to achieve improved liquidity and valuation in its Ordinary Shares due to the higher number of institutional investors which regularly trade in the shares of companies admitted to the premium listing segment of the Official List;
- facilitate potential inclusion in the FTSE indices;
- provide diversification of funding sources to support the Group's long-term growth;
- result in the Ordinary Shares becoming an improved currency for any acquisitions, as appropriate; and
- further assist in the incentivisation and retention of key management and employees.

Furthermore, the Board considers the Main Market to be a more appropriate market given Plus500's significant growth since its IPO.

Application has been made to the Financial Conduct Authority and to the London Stock Exchange respectively for admission of all the Ordinary Shares to: (i) the premium listing segment of the Official List; and (ii) trading on the Main Market. It is expected that Admission will become effective and that dealings in the Ordinary Shares on the Main Market will commence at 8.00 a.m. on 26 June 2018. Trading in the Ordinary Shares on AIM will be cancelled simultaneously with Admission. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange.

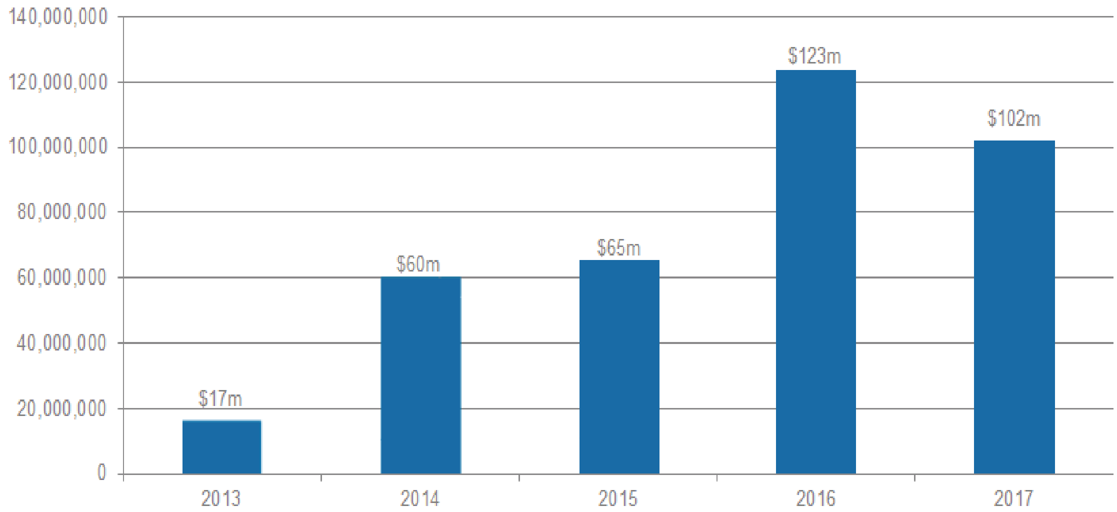
Following Admission, the Group expects to be of a sufficient size to meet the eligibility requirements for inclusion in the FTSE Actuaries Share Indices. In order to qualify for inclusion in the FTSE All Share Index, the Group will need to meet certain free float liquidity requirements (measured by volumes of shares traded) and the total market value of the issued Ordinary Shares must exceed certain levels measured on the quarterly index review dates. On the basis of the current FTSE UK Index Series Rules and the market capitalisation of the Ordinary Shares as at the Latest Practicable Date, provided that trading in the Ordinary Shares meets the free float liquidity requirements, the Group expects to be eligible for inclusion in the FTSE 250 Index at the September 2018 review date.

7. RETURN OF CAPITAL POLICY

The Group has historically paid significant dividends to the Shareholders and currently intends to pay dividends both to provide Shareholders with a cash return on their investment and to act as a financial discipline for the Group. The Group's current policy is to pay out at least 60 per cent. of retained profits in each financial year to Shareholders, including by way of share buybacks. The Group seeks to pay an interim dividend comprising 60 per cent. of half-year profits, with a further dividend at the year end, which together with the interim dividend, will comprise a total annual ordinary dividend to Shareholders of 60 per cent. of retained profits. In addition, the Directors will also consider paying an additional distribution by way of a special dividend where the capital requirements of the business allow for such payment.

Total returns to shareholders since the IPO, including dividends declared in February 2018, are in excess of US$530 million. The chart below shows the dividend distribution of the Group by payment date between 2013 and 2017. The Group paid an average of US$1.6867 per share in dividends in the financial year ended 31 December 2017. In the financial years ended 31 December 2016 and 31 December 2015, the Group paid out an average of US$0.8852 per share and US$0.8405 per share in dividends respectively.

The following chart shows dividend distribution of the Group by payment date (including declared dividends for 2017 to be paid in July 2018):



In order to retain flexibility in returning capital to Shareholders, the Company has obtained shareholder authority to purchase up to 10 per cent. of its issued share capital.

In June 2017, the Board approved a programme to buy back up to US$10 million of the Company's Ordinary Shares. The buyback programme ran from 2 June 2017 to 31 August 2017 and was funded from the Company's net cash balances which stood at US$196.3 million as at 31 May 2017. In August 2017, the Board approved a second programme to buy back up to US$27.21 million of Ordinary Shares. The second buyback programme expired on 1 February 2018 and was funded from the Company's net cash balances which stood at US$220.6 million as at 30 June 2017.

The Company bought back 980,146 Ordinary Shares (or 0.09 per cent.) in the capital of the Company for an aggregate purchase price of US$7.5 million pursuant to these buyback programmes. Shares were bought back at an average price of £5.98 per Ordinary Share.

PART VIII

RISK MANAGEMENT AND HEDGING

1. FINANCIAL RISK LIMITATION POLICIES

The technology developed by the Group incorporates real-time financial risk limitation systems with certain Group hedging and trading limit triggers.

The Directors believe that there is also a high level of natural hedging arising from the differing trading positions taken across the Group's international customer base.

2. TRADING LIMITS

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.

The limits placed on individual customers mitigate the risk that the Group becomes disproportionately reliant on any single customer or small group of customers for its revenue and also means the Group has no significant exposure to the trading positions of any such customers. In the financial year ended 31 December 2017, no single customer contributed more than 0.4 per cent. of the Group's total revenue.

When these limits are reached the Trading Platform is designed to automatically cease to accept trades from the relevant individual until such time as the exposure level falls below the relevant threshold(s).

Group limits

Monetary limits are also placed on the Group's exposure to individual instruments. Such limits are set according to, amongst other things, the asset class of the underlying instrument (for example, equities, indices, commodities, ETF, cryptocurrencies or foreign exchange), the size and liquidity of the underlying instrument and beta (volatility) of the underlying instrument. When these limits are reached, the Trading Platform is designed to automatically cease to accept additional trades in respect of the relevant underlying instrument until such time as the exposure level falls below the relevant threshold(s).

3. HEDGING

To further manage risk the Group has a hedging policy in place which seeks to mitigate exposure of the Group as a whole beyond certain thresholds. The relevant net thresholds are currently as follows:

- foreign exchange: US$500 million;
- shares: US$80 million;
- indices: US$200 million;
- ETFs: US$20 million;
- cryptocurrencies: US$45 million;
- commodities: US$500 million; and
- options: US$1.5 million.

If such thresholds are exceeded, an alert is automatically generated by the Trading Platform and the Group will consider hedging against certain indices linked to the relevant underlying instrument(s). In addition, limits are placed on the extent that a single customer accounts for any of the thresholds set out above.

PART IX

REGULATORY OVERVIEW

1. FINANCIAL SERVICES REGULATION

The Group is regulated in the EEA, Australia, South Africa, Israel, New Zealand and Singapore and its services are also available in certain other jurisdictions across Asia, the Middle East and elsewhere.

The Group has six subsidiaries which have been granted licences by regulators: Plus500UK, which is authorised and regulated in the United Kingdom by the FCA and has obtained "passports" allowing it to offer its services across in the EEA; Plus500CY, which is authorised and regulated in Cyprus by the CySEC and has similarly obtained "passports" allowing it to offer its services across the EEA; Plus500AU, which is authorised in Australia by ASIC, in New Zealand by the FMA and in South Africa by the FSCA; Plus500IL, which is authorised in Israel by the ISA; Plus500SG, which is regulated and licenced in Singapore by the MAS and Enterprise Singapore (formerly known as International Enterprise Singapore); and Plus500SA, which is authorised in South Africa by the FSCA.

Failure to operate in accordance with required authorisations, approvals, licences, permits and/or the regulatory framework as a whole in any jurisdiction gives rise to a number of significant risks. For more detail please see Part II (*Risk Factors*).

Regulatory framework within the United Kingdom

FCA Authorisation

In the United Kingdom, firms providing financial services are subject to authorisation and regulation by the FCA under FSMA.

Under FSMA, persons carrying on "regulated activities" by way of business in the United Kingdom require, in the absence of an exemption or exclusion, authorisation by the FCA. Carrying on regulated activities without authorisation is a criminal offence and agreements made in the course of the carrying on of regulated activities by unauthorised persons are unenforceable without an order of the court. The business undertaken by Plus500UK involves it carrying on regulated activities, for which it has obtained FCA authorisation.

Plus500UK was granted authorisation by the Financial Services Authority ("**FSA**"), the FCA's predecessor regulator in the UK, on 29 June 2010. The Financial Services Act 2012 amended FSMA and abolished the FSA on 1 April 2013, replacing it with two new regulatory bodies; the Prudential Regulation Authority and the FCA. Plus500UK is now solely authorised and regulated by the FCA.

In order for a firm to be authorised and regulated by the FCA, the FCA must be satisfied that the firm meets certain threshold conditions prescribed by FSMA. In considering an authorisation, the FCA will have regard to: (a) the firm's legal status; (b) the location of its offices; (c) whether it has any close links to other persons which will prevent the firm being effectively supervised; (d) the ability of the FCA to effectively supervise the firm more generally (including by reference to the nature and complexity of its activities); (e) the appropriateness of the firm's financial and non-financial resources; and (f) the firm's suitability (which will include a consideration of whether the firm and the persons and/or legal entities that control or influence it are fit and proper). The firm must also provide the FCA with a viable and sustainable business model. In order to remain authorised, the firm needs to demonstrate its continuing compliance with these threshold conditions.

An FCA authorised firm also has to ensure that it complies with the Principles for Businesses along with the FCA Rules. The FCA Rules seek to ensure that authorised and regulated firms have appropriate resources, are managed and controlled by fit and proper persons, have adequate senior management arrangements, systems and controls, have appropriate safeguards in place to protect customer money and assets and are able to comply with certain minimum conduct of business standards (the "**UK Conduct of Business Rules**"). Under the FCA Rules, a firm must maintain, at all times, appropriate financial resources to ensure that it is able to meet its regulatory capital requirements and have sufficient liquidity to demonstrate that it is able to meet its liabilities as they fall due. Since the implementation of the

MiFID II legislation in the United Kingdom in January 2018, there are also a number of applicable conduct and other rules and requirements imposed directly upon Plus500UK through that MiFID II legislation. For ease of reference (and because many of the predecessor conduct rules which had applied under the previous MiFID I regime were implemented through FCA Rules that were deleted when the directly applicable provisions of the MiFID II legislation came into effect) reference to the FCA Rules in this Prospectus also includes reference to the directly applicable provisions of the MiFID II legislation.

The FCA considers the regulatory capital requirements of Plus500UK on a standalone basis. Pursuant to a Variation of Permission granted by the FCA with effective date 9 August 2016, Plus500UK is an "IFPRU 125K limited licence firm" and is subject to the capital rules set out in the IFPRU sourcebook in the FCA's handbook of rules and guidance, which includes specific capital requirements. Prior to the Variation of Permission, Plus500UK was a "full scope IFPRU 730k firm" and consequently was subject to a number of additional regulatory requirements, including the need to submit recovery and resolution plans to the FCA. As an "IFPRU 125K limited licence firm" Plus500UK must ensure that it maintains capital resources to meet the higher of: (a) the base capital requirement of €125,000 and (b) the sum of capital requirements to meet its credit risk, market risk and fixed overheads capital requirements. The Board has resolved that the Company shall, at all times, provide Plus500UK with sufficient funding in order to allow Plus500UK to meet its regulatory minimum capital requirements. The FCA has classified Plus500UK as a "Flexible Portfolio" firm in respect of the FCA's current supervision model. The FCA conducted a review of Plus500UK's Internal Capital Adequacy Assessment Process in Q2 2016. As a result of that review, Plus500UK increased its paid up share capital and its regulatory capital was consequently increased in line with the FCA's findings.

The UK Conduct of Business Rules cover areas such as advertisements and communications, selling, product disclosure, dealing and managing and customer reporting. Of particular relevance to Plus500UK's activities are the FCA Rules (and including, as noted above, the relevant directly applicable provisions of the MiFID II legislation) relating to customer categorisation and "appropriateness tests". The FCA Rules require a firm to categorise a customer as a retail client, professional client or eligible counterparty. The purpose of customer categorisation is to ensure that customers will be given an appropriate level of protection under the FCA Rules. Plus500UK classifies its customers as retail clients who are offered greater regulatory protections under the UK regime than professional clients or eligible counterparties. In conducting the "appropriateness test" Plus500UK must determine whether each retail client has the necessary experience and knowledge in order to understand the risks involved in relation to the product and services offered or requested. In addition to meeting these appropriateness rules, Plus500UK also rejects applications from its most vulnerable prospective customers.

In accepting a customer, Plus500UK must undertake adequate due diligence in order to discharge its obligations under UK anti-money laundering and counter-terrorist financing laws and regulations. In practice, the FCA monitors and supervises FCA authorised and regulated firms' compliance with these laws and regulations. The due diligence process is sometimes known as "Know Your Customer", "KYC" or "customer due diligence". Plus500UK has established a series of procedures to assist compliance with its customer due diligence responsibilities. The FCA Rules also require Plus500UK to provide each of its customers with a customer agreement which complies with the FCA Rules, including the requirement that customers are treated fairly, and also with the Consumer Rights Act 2015 (in respect of customer agreements entered into on or after 1 October 2015) and the UTCCR (in respect of customer agreements entered into before 1 October 2015).

The FCA has given particular focus to the compliance of online CFD firms in the past two to three years and, in particular, the take-on process for new customers. For example, in February 2016, the FCA published the form of a "Dear CEO" letter that had been sent to the CEOs of firms engaging in CFD dealing industry. In December 2016, the FCA published a consultation paper (CP16140) on enhancing the conduct of business rules for firms providing CFD products to retail clients. In this consultation paper, the FCA proposed a package of policy measures intended to improve investor protection, including enhanced disclosure requirements, leverage limits and a prohibition on bonus promotions. On 29 June 2017, the FCA published a statement announcing that it had decided to delay making final conduct rules for UK firms providing CFDs to retail clients, pending the outcome of ESMA's discussions in relation to its user of its product intervention powers under the MiFID II legislation. On the same day, the FCA published the results from its review of appropriateness assessments for sales of CFD products, from a sample of 23 firms. The FCA found that there remained a number of key areas of concern, including: (i) inadequate assessments of prospective clients' knowledge; (ii) insufficient account of clients' previous transactional experience;

(iii) inadequate risk warnings to prospective clients who fail appropriateness assessments; (iv) failure to evaluate whether failed applicants should be allowed to make CFD transactions; (v) poor oversight, weak controls and inadequate management information.

On 10 January 2018, the FCA published the form of a further "Dear CEO" letter sent to the CEOs of firms engaging in the retail CFD sector. In this letter, the FCA voiced concerns over practices within firms which (unlike the Group) offer and distribute CFDs to retail customers on either an advisory or discretionary portfolio management basis. The letter invited all UK CFD providers to take note of the areas of concern the FCA had identified among the firms it had reviewed, including in relation to: (i) target market identification; (ii) communication, oversight and challenge in relation to information shared with distributors; (iii) the process for taking on new distributors; (iv) managing conflicts of interest; (v) the use of management information and key performance indicators; (vi) client categorisation, in particular with respect to the categorisation of elective professional clients; and (vii) remuneration arrangements.

The Directors believe that the areas of concern identified in the Dear CEO letter of 10 January 2018 do not materially impact the Group. The Group does not offer, and has never offered, its products on an advisory or discretionary portfolio management basis. With respect to target market identification, the Group's implementation of the MiFID II legislation has included identifying the target market for its products in accordance with the new product governance regime. With respect to communication, oversight and challenge in relation to the information shared with distributors and the process for taking on distributors, the Group is both the manufacturer and the distributor of its products. While the Group uses affiliates under the 500Affiliates programme, the relevant affiliate merely refers potential customers to the Group and the relevant member of the Group on-boards that customer in accordance with its regulatory obligations. With respect to managing conflicts of interest, Plus500UK has a documented conflicts of interest policy. In addition, with effect from January 2018, all affiliates are paid on a cost per acquisition basis. The determination of whether to on-board a customer rests with the relevant member of the Group. The Directors believe these two factors ensure that there are no conflicts of interest between affiliates and customers. With respect to the use of management information and key performance indicators, the Group regularly reviews monthly management information, which for Plus500UK includes details of on-boarding statistics and is intended from January 2018 to include data relating to the monitoring of the target market. With respect to client categorisation, at the time of Plus500UK's receipt of the Dear CEO letter dated 10 January 2018, Plus500UK did not accept elective professional clients. It is intended that Plus500UK will shortly begin to offer the products to elective professionals and will ensure that there is a robust process to assess clients' expertise, knowledge and experience such that Plus500UK has a reasonable assurance that the client is capable of making their own investment decisions and properly understands the risks involved. With respect to employee remuneration, all variable remuneration is based on company profitability, and no sales targets are attributed to any staff.

On 18 January 2018 and 27 March 2018, the FCA wrote to a number of market participants, including Plus500UK, in relation to the impact of ESMA's product intervention measures on the business models of active CFD providers, and in particular on the impact for IFPRU €730k firms trading as principal and for IFPRU €125k firms trading as matched principals. The FCA noted that it was necessary for firms to assess the consequences of these measures on their internal capital adequacy assessment process, including the requirement to hold additional regulatory capital to mitigate any additional exposure to market risk. The FCA also stated that, in certain circumstances, IFPRU €125k firms might need to vary their regulatory permissions to be able to continue to offer certain products to retail customers. Plus500UK responded to the FCA on 6 April 2018, confirming that: (i) Plus500UK does not intend to request a Variation of Permission on the basis that its existing model, which limits Plus500UK's exposure to market risk through its hedging arrangements with Plus500IL, remains in compliance with its regulatory permission and the relevant rules in the IFPRU sourcebook in the FCA's handbook of rules and guidance; and (ii) ESMA's negative balance protection product intervention measure retains the status quo in respect of the firm's regulatory capital position, as Plus500UK has always offered negative balance protection to its customers.

The Group expects that the ESMA measures will have an effect on revenue from customers in the EEA in the short term, specifically as regards the Group's revenue growth which may not increase at the same level it would have had done if the ESMA measures not been introduced, which is in line with the Company's expectations, although the Company expects that this will be mitigated by the Group increasingly attracting more customers in the EEA and other customers from outside of the EEA.

The Group's financial results for the three month period ended 31 March 2018 showed an increasing level of revenue generated from outside of the EEA. For example, revenue generated from customers in Switzerland, Australia, South Africa and New Zealand accounted for approximately 12 per cent. of the Group's total revenue during the financial year ended 31 December 2017 as compared to approximately 17 per cent. of the Group's total revenue for Q1 2018. In addition, Plus500SG was not operational for the majority of the financial year ended 31 December 2017. As a result, non-EEA generated revenue is expected to increase even further for the current financial year ending 31 December 2018. The Company believes that this can be further mitigated by providing those of its customers in the EEA that wish to trade on higher margin, the option of applying for an EPC account, such application being subject to approval by the Company and the customer meeting the relevant regulatory requirements (including the guidance on client categorisation issued by ESMA in its Investor Protection Q&As). Plus500UK and Plus500CY began evaluating their customer bases regarding EPC status in February 2018 and consider that across the Group 12 per cent. of its customers in the EEA may be eligible for EPC status. Given that this 12 per cent. generate in aggregate approximately 75 per cent. of the revenue at EEA level, the Board believes that the Group is in a strong position to maintain revenue from those customers given its EPC offering.

The Group derived less than 15 per cent. of its total revenue for the financial year ended 31 December 2017 from CFDs referenced to cryptocurrencies. The Company expects that the ESMA measures, particularly the lower leverage limits on cryptocurrencies, will also have an effect on this revenue stream.

More generally, whilst the Directors note the potential impact of ESMA's product intervention measures (as published on 1 June 2018) on market participants that do not currently offer negative balance protection and guaranteed stop losses, they do not consider that ESMA's measures in respect of negative balance protection will have a material impact on the Group's business. The Directors believe that the Group's current approach is already aligned with ESMA's final measures on negative balance protection. The Group's Trading Platform already offers an automated negative balance protection system including, for example, proprietary "circuit breaker" technology which operates in line with ESMA's final margin-close out rule. In addition, Plus500UK currently meets, and indeed exceeds, the enhanced regulatory capital requirements: by way of example, as at 31 December 2017, Plus500UK held £24.3 million in regulatory capital, which was in excess of both its regulatory capital requirement (Pillar 1) of £6.9 million and the internally measured capital requirement (Pillar 2) of £17.7 million. The Group's cash balance (including all regulatory capital) as at 31 December 2017 was US$241.9 million. The terms of the hedging arrangements in place between Plus500UK and Plus500IL ensure that Plus500UK is not exposed to market risk in respect of customer positions. The Group does not, as a matter of general policy and pursuant to the terms and conditions for each of its regulated subsidiaries, pursue customers for negative balances and these are written-off. Since the Group has always operated this policy of not pursuing its customers for negative balances, the Board does not consider that ESMA's final measures will lead to any material increase in the market risk assumed by the Group.

On 28 January 2018, Plus500UK received a letter from the FCA's Supervision Division raising a series of questions in relation to its offering in CFDs referenced to Bitcoin. The questions raised by the FCA's Supervision Division concerned changes made to overnight funding charges and the use of fixed-expiry contracts, both in respect of the closing months of 2017; the clarity of terminology used in communicating information to customers about the overnight funding charges; and Plus500UK's pricing practices in respect of CFDs referenced to Bitcoin. The Board of Plus500UK provided a detailed response to this letter on 6 February 2018.

On the same date, the FCA also sent Plus500UK a statutory information request under s.165 FSMA requiring specified information to be provided by 9 February 2018 in respect of Plus500UK's provision of CFDs referenced to cryptocurrencies other than Bitcoin. The Board of Plus500UK provided a detailed response to this letter on 7 February 2018.

Financial Promotions

The financial promotion rules which form part of the UK Conduct of Business Rules are also of particular relevance as they determine what the Group may or may not display on its website and apps and in all other marketing material. In broad terms, communications with all customers must be fair, clear and not misleading. Communications with retail customers must comply with a number of additional stipulations including a requirement that communications include the firm's name, are accurate and do not emphasise any potential benefits of the business or investments referred to without giving a fair and prominent indication of any risks involved; are sufficient for, and presented in a way that is likely to be understood by the average member of the group to whom they are directed or who are likely to receive them; and do not disguise, diminish or obscure important items, statements or warnings. In addition, the UK Conduct of Business Rules and, as of January 2018, the PRIIPs Regulations, require Plus500UK to disclose details of the product and services it offers, including details as to risk, costs and inducements. In accordance with MiFID I and the E-Commerce Directive 2002, the FCA's financial promotion rules apply to any advertising which is conducted by Plus500UK within the UK or directed into any other EEA state.

Policies and Systems

When executing a customer's trade, Plus500UK must provide "best execution" in accordance with its best execution policy (which forms part of its overall order execution policy and is available to customers on the Plus500UK website). After execution of a customer trade, Plus500UK must report the transaction to the FCA in accordance with the requirements of the MiFID II legislation and the FCA Rules. As a result of the implementation of the MiFID II legislation, additional disclosures are now required to be made by Plus500UK in relation to its best execution policies and procedures and in respect of the best execution provided by Plus500UK to its customers.

UK regulatory requirements also impose requirements on an FCA authorised and regulated firm to observe proper standards of market conduct, to ensure that its employees are adequately trained and remain competent and to ensure that it has proper safeguards to prevent money laundering, including systems in place to allow it to make suspicious activity reports in order to comply with UK anti-money laundering laws. In addition, Plus500UK needs to have systems in place to prevent and detect market abuse and report suspicious transactions to the FCA.

The FCA Rules also require an FCA authorised and regulated firm to have in place proper systems for ensuring that customer money is segregated from that of the firm, that reconciliations are performed on a regular basis and that any discrepancies are made good whilst being investigated. Plus500UK uses the "normal approach" to comply with the customer money rules in the FCA's Client Money and Assets Sourcebook ("**CASS**") and deposits its customer money in various denominated trust status bank account, separate from its own accounts. The customer money calculation is the responsibility of Plus500UK's chief financial officer.

The FCA Rules also require an FCA regulated firm to have in place proper systems for dealing with customer complaints. Plus500UK has in place a complaints handling policy and systems for logging complaints.

Members of the management of an FCA regulated firm, including its directors, senior managers, compliance officer and certain members of staff, are required to be individually registered and approved by the FCA as "approved persons". In order for an individual to become an approved person, the firm must apply to the FCA on behalf of the individual. Before it approves the individual, the FCA will need to be satisfied that the individual is a "fit and proper" person to perform the controlled function to which the application relates. An individual who becomes an approved person is required to comply with Statements of Principle and Codes of Practice for Approved Persons. The following individuals are registered as persons approved to perform the director, compliance officer and senior management controlled functions of Plus500UK:

- Mark Winton: director and chief executive controlled functions;
- Michelle West: compliance oversight and Money Laundering Reporting Officer controlled functions;
- Ittai Ben-Ze'ev: CASS oversight;
- Asaf Elimelech: CF1 Director; and
- David Simpson: non-executive director controlled function.

These regulatory requirements aim to ensure that consumers, including customers of Plus500UK, are provided with an appropriate degree of protection and that Plus500UK is able to manage regulatory and compliance risk, and help to maintain confidence in the financial system.

In addition to the power to authorise firms, FSMA gives the FCA the power to monitor and supervise FCA authorised and regulated firms, including the power to make supervision visits and interview management and staff. As part of the supervision process, FCA authorised and regulated firms are required to make regular reports to the FCA which are analysed and reviewed to monitor firms' compliance with regulatory requirements.

If an FCA regulated firm breaches any of the FCA Rules, the FCA has various powers under FSMA to deal with these breaches. These include the power to impose fines, to vary the regulated firm's permissions to carry on regulated activities, to ban the regulated firm from selling particular products, to issue public censures, to make restitution orders and to suspend or terminate a firm's authorisation. In addition, the FCA may take action against approved persons, which similarly includes the power to impose fines, issue public censures, withdraw approval and issue an order prohibiting them from working in the financial services industry.

FSMA has also created the Financial Ombudsman Service to adjudicate disputes between FCA authorised and regulated firms and those customers who are "eligible complainants" and, where appropriate, award compensation. There is also the Financial Services Compensation Scheme, to which Plus500UK contributes through a levy paid to the FCA, which can pay compensation to an "eligible claimant" if an authorised and regulated firm is unable, or likely to be unable, to pay claims against it. This will generally be because the firm has stopped trading and has insufficient assets to meet claims, or is in insolvency.

An FCA regulated firm is subject to restrictions regarding persons who may act as a "controller" of it, and procedural requirements which apply to the process by which a person acquires control, or certain increases in control, over it. A "controller" for the purposes of FSMA and the FCA Rules is a person who alone or with those he is acting in concert holds 10 per cent. or more of the shares or voting rights in, or is able to exercise significant influence in relation to, an authorised and regulated firm or its parent undertaking. A person who decides to acquire or increase control over an FCA authorised and regulated firm must give advance written notice to the FCA which will then decide whether to approve the acquisition, either conditionally or unconditionally, or to object to it. There is also a general duty to give prior notification to the FCA of any proposal for a controller to cease to have control over an FCA authorised and regulated firm or to reduce an existing level of control from specified thresholds. Breach of the notification requirements imposed by FSMA on the controller is a criminal offence.

Following the result of the referendum on the UK's membership of the European Union held on 23 June 2016, the terms under which the UK will leave the European Union remain uncertain and are subject to negotiation and, in particular, whether or not Plus500UK will be able to provide services throughout the EEA in reliance on the "passports" granted in accordance with MiFID I and equivalent legislation.

Regulatory framework within Cyprus

CySEC Authorisation

In Cyprus, firms providing investment services are subject to authorisation and regulation by the CySEC under the Investment Services and Activities and Regulated Markets Laws of 2017 ("**ISLawCY**").

Under the ISLawCY, persons carrying on "regulated activities" by way of business in Cyprus require, in the absence of an exemption or exclusion, authorisation by the CySEC. Carrying on regulated activities without authorisation is a criminal offence. The business undertaken by Plus500CY involves it carrying on regulated activities, for which it has obtained the CySEC authorisation.

Plus500CY was granted authorisation by the CySEC on 10 October 2014.

In order for a firm to be authorised and regulated by the CySEC, the CySEC must be satisfied that the firm meets certain threshold conditions prescribed by ISLawCY. In considering an authorisation, the CySEC will have regard to: (a) the firm's legal status; (b) the location of its offices; (c) whether it has any close links to other persons which will prevent the firm being effectively supervised; (d) the ability of the CySEC to supervise the firm more generally; (e) the appropriateness of the firm's resources; and (f) the firm's suitability (which will include a consideration of whether the firm and the persons and/or legal entities that control or influence it are fit and proper). The firm must also provide the CySEC with a viable and sustainable business model. In order to remain authorised, the firm needs to demonstrate its continuing compliance with the threshold conditions.

A CySEC authorised and regulated firm also has to ensure that it complies with the ISLawCY and the CySEC directives issued pursuant to the ISLawCY, along with Circulars and Guidelines issued by CySEC (CySEC Rules). In addition, Plus500CY must ensure that it complies with the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007 - 2018 and any CySEC directives issued pursuant to the said law. Furthermore, Plus500CY must ensure that it complies with several EEA regulations such as Regulation EU 600/2014, Regulation EU 596/2014 on market abuse (market abuse regulation), Regulation EU 648/2012 on OTC derivatives, central counterparties and trade repositories and Regulation EU 575/2013 on prudential requirements for credit institutions and investment firms.

The ISLawCY and the CySEC directives issued pursuant to the ISLawCY seek to ensure that authorised and regulated firms have appropriate resources, are managed and controlled by fit and proper persons, have adequate senior management arrangements, systems and controls, have appropriate safeguards in place to protect customer money and assets and are able to comply with certain minimum conduct of business standards. Under the ISLawCY, a firm must maintain, at all times, appropriate financial resources to ensure that it is able to meet its regulatory capital requirements and have sufficient liquidity to demonstrate that it is able to meet its liabilities as they fall due.

The CySEC considers the regulatory capital requirements of Plus500CY on a standalone basis. Plus500CY is a “fullscope Cyprus Investment Firm 730K” and is subject to the capital rules set out in the ISLawCY and Regulation EU 575/2013 on prudential requirements for credit institutions and investment firms. As a “full scope investment firm”, Plus500CY must ensure that it maintains regulatory capital to meet the base capital requirement of €730,000.

The ISLawCY sets out basic information requirements and fiduciary duties of CIFs towards their customers, known as the Conduct of Business Rules (“**CyCoBS**”). The CyCoBS cover areas such as best execution, advertisements and communications, information provided to customers, selling, product disclosure, dealing and managing and customer reporting. Of particular relevance to Plus500CY’s activities are the provisions of the ISLawCY relating to customer categorisation and “appropriateness tests”. The ISLawCY requires a firm to categorise a customer as a retail customer, professional customer or eligible counterparty. The purpose of customer categorisation is to ensure that customers will be given an appropriate level of protection. Plus500CY accepts customers who are classified as retail customers and who are offered the most protections under the Cyprus regulatory regime. In conducting the “appropriateness test” Plus500CY must determine whether each retail customer has the necessary experience and knowledge in order to understand the risks involved in relation to the product and services offered or requested. In early 2018, with the advent of MiFID II, CIFs are obliged to follow certain product governance rules. Under the said rules, CIFs must ensure, when distributing and/or manufacturing financial products, that the products in question are designed and sold to a predefined segment of the market. In late 2016 and early 2017, the CySEC endorsed, by means of circulars, a number of recommendations from ESMA’s Q&A in respect of the provision of CFDs and other speculative products to retail investors under MiFID. Particular attention was drawn, by CySEC, to the following areas covered in the ESMA Q&A:

- offer of bonuses by CFD brokers;
- offer of excessive leverage to retail clients;
- withdrawals of clients’ funds;
- conflicts of interest; and
- marketing communications.

In accepting a customer, Plus500CY must do adequate due diligence in order to discharge its obligations under Cyprus anti-money laundering and counter-terrorist financing laws and regulations. In practice, the CySEC monitors and supervises the CySEC authorised and regulated firms’ compliance with these laws and regulations. The due diligence process is sometimes known as “Know Your Customer”, “KYC” or “customer due diligence”. Plus500CY has established a procedure to assist compliance with its customer due diligence responsibilities. The ISLawCY also requires Plus500CY to provide retail customers with a customer agreement which complies with the ISLawCY, including the requirement that customers are treated fairly.

The CySEC has conducted extensive investigations into CIFs that offer investment services and products to retail customers and, in particular, CFD and Forex products. These investigations have primarily resulted in the CySEC levying administrative fines on the CIFs, often totalling several million Euro, and it some instances regulatory authorisations have been withdrawn. The CySEC has emphasised the requirement for CIFs to comply with the provisions of the Investment Services and Activities and Regulated Markets Law of 2017 particularly in relation to marketing communications, protection of customers' assets and the requirement for CIFs to act in their customers' best interests. The CySEC has also emphasised the requirement for CIFs to comply with the provision of the Prevention and Suppression of Money Laundering and Terrorist Financing Law (as amended) in the context of customer due diligence and the Know Your Customer measures undertaken by CIFs.

The CySEC has increased its focus on the legal and regulatory framework for CIFs with a particular emphasis on investor protection, particularly in the context of retail investors. Detailed guidance have been published by the CySEC on the risks associated with investment in complex products, such as CFDs, CIFs responsibilities regarding their customers and handling and reporting of customer complaints. The CySEC has also instructed CIFs to revisit their respective remuneration policies and make the necessary amendments to ensure that conflicts of interests are minimised and/or eliminated to ensure that CIF employees have the customer's best interest in mind. The CySEC also routinely publishes consultation papers regarding the regulation of CIFs, which have in the past led to changes to the regulations applicable to Plus500CY. For example, it has issued a consultation paper proposing the imposition of certain conditions on the use of third-country liquidity providers, a practice currently adopted by Plus500CY.

The Group on-boards all customers that are outside of the EEA, Australia, South Africa, Israel, New Zealand and Singapore through Plus500CY.

Financial Promotions

The financial promotion rules which form part of the CyCoBS are also of particular relevance as they determine what the Group may or may not display on its website and apps and in all other marketing material. In broad terms, communications with all customers must be fair, clear and not misleading. Communications with retail customers must comply with a number of additional stipulations including a requirement that communications include the firm's name, are accurate and do not emphasise any potential benefits of the business or investments referred to without giving a fair and prominent indication of any risks involved; are sufficient for, and presented in a way that is likely to be understood by the average member of the group to whom they are directed or who are likely to receive them; and do not disguise, diminish or obscure important items, statements or warnings. In addition, the CyCoBS require Plus500CY to disclose details of the products and services it offers, including details as to risk, costs and third party inducements. In accordance with MiFID II and the E-Commerce Directive 2000/31/EC the CySEC's financial promotion rules apply to any advertising which is conducted by Plus500CY within Cyprus or directed into any other EEA state.

Policies and Systems

When executing a customer's trade, Plus500CY must provide "best execution" in accordance with its best execution policy (which forms part of its overall order execution policy and is available to customers on the Plus500CY website). After execution of a customer trade, Plus500CY must report the transaction to an ESMA authorised Trade Repository in accordance with the requirements of EU Regulation (648/2012) on OTC derivatives, central counterparties and trade repositories.

Cyprus regulatory requirements also impose requirements on a CySEC authorised and regulated firm to observe proper standards of market conduct, to ensure that its employees are adequately trained and remain competent and to ensure that it has proper safeguards to prevent money laundering, including systems in place to allow it to make suspicious activity reports to MOKAS in order to comply with Cyprus anti-money laundering and terrorist financing laws. In addition, Plus500CY needs to have systems in place to prevent and detect market abuse and report any such suspicious transactions to the CySEC.

The ISLawCY also requires a CySEC authorised and regulated firm to have in place proper systems for ensuring that customer money is segregated from that of the firm, that reconciliations are performed on a regular basis and that any discrepancies are made good whilst being investigated. Plus500CY deposits its customer money in various denominated trust status bank accounts, separate from its own accounts. The customer money calculation is the responsibility of Plus500CY's chief financial officer.

The ISLawCY and the CySEC Circulars and Guidelines also requires a CySEC authorised and regulated firm to have in place proper systems for dealing with customer complaints. The CySEC has instructed CIFs to report to the CySEC, on a monthly basis, details of any new complaints submitted, the nature of these complaints (such as complaints relating to the execution of orders or withdrawals) and any updates on the progress of complaints previously reported to the CySEC. The CySEC has also set a maximum timeframe for the handling of customer complaints by CIFs. CIFs have a maximum of three months from the date the complaint is received by the CIF to respond with the outcome of its investigation and settlement proposal (if any). The CIF must also inform the complainant of alternative venues to escalate their complaint such as the Financial Ombudsman in Cyprus or the relevant courts. Plus500CY has in place a complaints handling policy and systems for logging complaints.

Members of the management of a CySEC authorised and regulated firm, including its directors, senior managers, and certain members of staff, are required to be individually registered and approved by the CySEC. In order for an individual to become approved by the CySEC, the firm must apply to the CySEC on behalf of the individual. Before it approves the individual, the CySEC will need to be satisfied that the individual is a “fit and proper” person to perform the controlled function to which the application relates. The following individuals are registered as persons approved to perform the director, and senior management controlled functions of Plus500CY:

- Mr. Ofir Chudin: Chief Executive Officer (CEO)
- Ms. Eleni Vickers: Chief Financial Officer (CFO) (Executive Director, part of Senior Management)
- Mr. Andreas Aloneftis: Independent, Non-Executive Director
- Mr. Ioannis Pishias: Independent, Non-Executive Director
- Mr. Elad Even-Chen: Non-Executive Director

The CySEC regulatory requirements aim to ensure that consumers, including customers of Plus500CY, are provided with an appropriate degree of protection and that Plus500CY is able to manage regulatory and compliance risk, and help to maintain confidence in the financial system.

In addition to the power to authorise firms, the ISLawCY gives the CySEC the power to monitor and supervise the CySEC authorised and regulated firms, including the power to make supervision visits and interview management and staff. As part of the supervision process, the CySEC authorised and regulated firms are required to make regular reports to the CySEC which are analysed and reviewed to monitor firms’ compliance with regulatory requirements.

If a CySEC authorised and regulated firm breaches any regulatory requirements, the CySEC has various powers under the Law Regulating the Structure, Responsibilities, Powers, Organisation of the Cyprus Securities and Exchange Commission and the ISLawCY to deal with these breaches. These include the power to impose administrative fines to vary the regulated firm’s permissions to carry on regulated activities, to ask a regulated firm to suspend or remove a financial instrument from trading when it operates an MTF, and to suspend or terminate a firm’s authorisation. In addition, the CySEC may take action against approved persons, which similarly includes the power to impose sanctions.

The Financial Ombudsman Scheme has been established with the main role to adjudicate disputes between various regulated financial institutions and those customers who are “eligible complainants” and, where appropriate, award compensation. There is also the Investor Compensation Scheme, to which Plus500CY contributes through a levy paid to the Investor Compensation Scheme, which can pay compensation to an “eligible claimant” if an authorised and regulated firm is unable, or likely to be unable, to pay claims against it. This will generally be because the firm has stopped trading and has insufficient assets to meet claims, or is in insolvency.

A CySEC authorised and regulated firm is subject to restrictions regarding persons who may act as a “controller” of it, and procedural requirements which apply to the process by which a person acquires control, or certain increases in control, over it. A “controller” for the purposes of ISLawCY is a person who alone or with those he is acting in concert holds 10 per cent. or more of the shares or voting rights in, or is able to exercise significant influence in relation to, an authorised and regulated firm or its parent undertaking. A person who decides to acquire or increase control over a CySEC authorised and regulated firm must give advance written notice to the CySEC which will then decide whether to approve the acquisition, either conditionally or unconditionally, or to object to it. There is also a general duty to give prior notification to the CySEC of any proposal for a controller to cease to have control over a CySEC authorised and regulated firm or to reduce an existing level of control from specified thresholds. Breach of the notification requirements imposed by the CySEC on the controller may lead to administrative fines.

Regulatory framework at a pan-EEA level

In addition to the UK and Cypriot regimes described above, there is a pan-EEA regime set out in the MiFID II legislation which regulates the provision of "investment services and activities" in relation to MiFID financial instruments throughout the EEA. The MiFID II legislation requires all EEA persons who are "investment firms" (i.e. persons whose regular occupation or business is the provision of one or more investment services or activities) to be authorised in their state of incorporation (their "home member state"). Plus500UK and Plus500CY are MiFID investment firms and are therefore subject to its requirements.

The MiFID II legislation gives investment firms the right to be able to provide investment services and activities on a cross- border services basis to customers located in other member states of the EEA ("**host member states**") without the need for separate authorisation by the competent authorities in those host member states. The MiFID II legislation also grants MiFID investment firms a right to establish a branch in those host member states without the need for any separate authorisation. These rights to provide cross-border services and activities and to establish branches are commonly referred to as the MiFID "passport".

Both Plus500UK and Plus500CY have made the required notifications to allow them to provide investment services on a cross-border basis into all current EEA countries. Customers resident in the UK are currently on-boarded by Plus500UK while customers resident in other EEA countries are on-boarded by Plus500CY. The scope of the "passports" covers dealing in, receiving, transmitting and executing client orders in respect of the safekeeping and administration of customers' monies and financial instruments relating to transferable securities, money market instruments, units in collective investment undertakings, options, futures, swaps, forward rate agreements and any other derivative contracts and also financial contracts for differences. Plus500CY is also authorised for the provision of foreign exchange services, where these are connected to the provision of investment services.

Plus500CY may freely provide the investment services and ancillary services or/and perform investment activities covered by its authorisation within the territory of each member of the EEA.

Under the MiFID II legislation, investment firms conducting investment services into EEA countries through a cross-border services passport are subject to home member state conduct of business rules. It is possible, however, for some host member states to apply some consumer protection measures which are not part of a harmonised European Union framework.

The MiFID II legislation has applied to firms in EEA Member States since 3 January 2018. The predecessor MiFID I regime also provided for passporting of cross-border services and applied to the services that Plus500UK and/or Plus500CY provided to customers in EEA jurisdictions outside the United Kingdom and Cyprus.

In areas outside passporting, the MiFID II legislation has substantially altered and enhanced the previous regime under MiFID I and has made several significant changes affecting the business of the Group. The new measures include changes to market infrastructure, including requirements for non-discriminatory access to trading venues and central counterparties, extension of pre and post trade transparency to non-equities markets and enhancement of transaction reporting requirements. The MiFID II legislation also contains a number of measures designed to strengthen investor protection, including by granting national regulators and ESMA stronger product intervention powers (which is discussed further below), and by introducing restrictions on third-party inducements, enhanced information requirements for clients and changes to the rules governing the assessment of appropriateness of products. The MiFID II legislation has also introduced changes to the requirements on firms' governance and compliance requirements, including a new product governance regime, and enhancements to the best execution and conflicts of interests requirements. There remains uncertainty as to how the MiFID II legislation requirements will be interpreted in practice both within and across different EEA jurisdictions. In particular, EU bodies such as ESMA, and individual national competent authorities may seek to adopt or impose additional interpretative guidance (such as the Investor Protection Q&As) and may seek to enforce the application of these measures in different ways.

The regulatory framework for the provision of CFDs to retail clients has also been developed at a pan-EEA level by ESMA. On 8 April 2016, ESMA published a question and answer document ("**Q&A**") on the application of MiFID I to the marketing and sale of CFDs and other speculative products to retail clients. The purpose of the Q&A was to promote common supervisory approaches and practices in the application of MiFID I and its implementing measures to certain key aspects that are relevant to the sale of such products to retail clients. Although the Q&A was aimed at national competent authorities and does not impose direct obligations on EU regulated firms such as Plus500UK or Plus500CY, the answers were also intended to help firms by providing clarity on the relevant requirements. Although the Q&A was produced with reference to the previous MiFID I legislative framework, which was in force at the date of its publication, the Q&A stated that the principles and requirements that underpin it would remain unchanged under the new regime introduced by the MiFID II legislation.

ESMA published updated versions of the Q&A on 1 June 2016, 25 July 2016, 11 October 2016 and 31 March 2017 and has stated that it will continue to review the Q&A on a regular basis. The Q&A provides guidance on: (i) the authorisation of firms offering CFDs and other speculative products to retail investors; (ii) conflicts of interest arising from business models that may be adopted by firms offering speculative products to retail investors; (iii) the information to be provided to clients and potential clients; (iv) appropriateness assessment procedures; (v) factors for national competent authorities to take into account when considering commercial arrangements between two authorised firms that result in the offer of CFDs or other speculative products to retail clients; (vi) the use of trading benefits when offering CFDs or other speculative products; (vii) the withdrawal of funds from trading accounts when investing in CFDs or other speculative products; (viii) the use of leverage when offering CFDs or other leveraged products to retail clients; (ix) best execution obligations for firms offering CFDs or other speculative products to retail clients; and (x) passporting and the cross-border provision of services by investment firms offering CFDs and other speculative products to retail clients outside the home Member State without the establishment of a branch or tied agent.

On 27 March 2018, ESMA announced that it had agreed to make use of its MiFID II product intervention powers in relation to the sale of CFDs and binary options to retail investors and published final rules on 1 June 2018 ESMA has restricted the marketing, distribution and sale of CFDs to retail clients, including the introduction of: (i) leverage limits on the opening of a position by a retail client, which vary according to the historical price behaviour of the different classes of underlying assets: 30:1 for major currency pairs; 20:1 for non-major currency pairs, gold and major indices; 10:1 for commodities other than gold and non-major equity indices; 5:1 for individual equities and other reference values and 2:1 for cryptocurrencies; (ii) a margin-close out rule on a per account basis, which would standardise the percentage of margin at which providers are required to close out a retail client's open CFD at a level of 50 per cent. of the minimum initial required margin; (iii) negative balance protection on a per account basis, providing an overall guaranteed limit on retail client losses; (iv) a restriction on the use of incentives for trading being offered by CFD providers; and (v) standardised risk warnings to be included in any communications or published information accessible by retail clients relating to the marketing, distribution or sale of CFDs, including an indication of the range of losses on retail investor accounts. These measures will take effect from 1 August 2018 and will last for an initial three-month period, after which they may be renewed. As Plus500UK and Plus500CY are authorised firms in the EEA, these measures will apply to all relevant transactions entered into by Plus500UK and Plus500CY (regardless of whether their customers are resident inside or outside the EEA).

At a national level, a number of EEA jurisdictions have introduced additional regulatory measures in relation to the provision of CFDs to retail clients:

- In Belgium, a Royal Decree was issued on 21 July 2016 (and published on 8 August 2016). The Decree approved a regulation of the Belgian FSMA on the distribution of OTC derivatives. With effect from 18 August 2016, the marketing and distribution of CFDs containing leverage and certain other financial derivatives to retail customers was prohibited. The Group no longer accepts retail clients based in Belgium and Plus500CY amended its user agreement prior to the implementation of the Decree prior to 18 August 2016. As set out in detail in section 3 of Part IX (Regulatory Overview), the Company reached a settlement with the Belgian FSMA in April 2017 in relation to a regulatory investigation for offering FX products and CFDs into the territory of Belgium without submitting a prospectus.

- In France, the AMF introduced law n° 2016-1691 (known as the "Sapin II Act") on 9 December 2016, prohibiting the electronic marketing of certain types of OTC derivatives to retail clients in France, including those for which: (i) the maximum risk is unknown at the time the contract is entered into; (ii) the risk of loss is greater than the amount initially invested; or (iii) the risk of loss compared to the potential advantages is not reasonably understood with regard to the particular nature of derivative. Having sought French legal advice, the Group understands that CFD providers continue to be permitted to operate in France without a limited risk account provided that those CFD providers do not perform any type of marketing activity in France. Whilst these new rules are not currently applicable to the Group's business on the basis that it no longer markets in France, if it was to resume marketing in France, the Group would be subject to such restrictions.
- In Germany, BaFin issued a General Administrative Act on May 8, 2017, prohibiting the marketing, distribution and sale of certain types of CFD to retail clients in Germany. The prohibition extends to CFDs which may expose clients to losses greater than the amounts deposited in their trading account. The Group's offering in Germany does not fall within the scope of these restrictions, as it includes a customer protection which prevents customer losses from exceeding the funds deposited in their trading account.

Regulatory framework within Australia

In Australia, firms in the business of providing financial services are subject to regulation by ASIC. The Australian regulatory regime for margin foreign exchange and CFD businesses essentially focuses on licensing and client disclosure. Direct regulation of conduct is primarily focussed on the handling of client moneys and capital adequacy requirements.

The financial services business undertaken by Plus500AU involves it carrying on regulated activities, for which it holds an AFSL. The licence, granted by ASIC on 9 October 2012, authorises Plus500AU to carry on a financial services business to:

- provide general financial product advice;
- deal in a financial product by issuing, applying for, acquiring, varying or disposing of a financial product; and
- make a market,

in each case in relation to derivatives and foreign exchange contracts, to retail and wholesale clients. CFDs are treated as derivatives under Australian financial services laws.

Plus500AU is subject to regulatory capital requirements imposed by ASIC which require that it has net tangible assets of the greater of AU$1,000,000 and 10 per cent. of its average revenue, with at least 50 per cent. held in cash or cash equivalents and at least 50 per cent. held in liquid assets. A report of Plus500AU's net tangible asset position must be included with its annual submission to ASIC. In addition, ASIC must be notified and various actions taken if Plus500AU's net tangible assets decrease from an amount greater than 110 per cent. of what is required.

Plus500AU must also provide retail clients with a product disclosure statement that contains sufficient information so that a retail client may make an informed decision about whether to purchase a financial product.

ASIC provides guidance on how AFSL holders who deal in derivatives should manage client funds. Client money accounts are subject to Australian statutory requirements in relation to the use, withdrawals and distribution of client funds in the event of an AFSL holder becoming insolvent or ceasing to carry on business.

In accordance with ASIC requirements, Plus500AU currently has two responsible managers, being Sean Murphy and Inbal Marom.

A change in control of an AFSL holder will trigger a duty to provide particulars of the change to ASIC within 10 business days after the change.

There are a number of risk factors in relation to the Australian regulatory regime:

- The greatest risk factor is the risk of licence suspension or cancellation by ASIC. In that case, it would no longer be possible for Plus500AU to operate the Australian business. Such action by ASIC is rare and only used as a last resort. Notice needs to be provided by ASIC and administrative review rights apply.
- A lesser risk factor is the possibility of regulatory sanctions in the form of penalties or additional, compliance related licence conditions. This action is more commonly used by ASIC but, as at the date of this Prospectus, no such sanctions have been imposed on, or foreshadowed against, Plus500AU.
- The third risk factor is the risk of client complaints. Plus500AU is required to implement internal dispute resolution procedures to handle such complaints and maintain appropriate levels of indemnity insurance cover. In Australia, unresolved complaints typically escalate to external dispute resolution services and Court litigation is rare. Plus500AU has received a limited number of client complaints since commencing business in Australia. Most complaints are administrative in nature and related to delays in the depositing or withdrawal of client funds.

Regulatory framework within Israel

In Israel, where the Company's headquarters are located, the regulation and licensing of exchange and alternative trading system are the subject of recently adopted regulations, which became effective on 26 May 2015.

In September 2016, the Group, through its Israeli subsidiary, Plus500IL, obtained a licence and regulatory authorisation from the ISA to provide certain financial services in Israel.

The Israeli Securities Law was recently amended to prohibit the offering of binary options either to Israeli customers, or from Israel to non-Israeli customers. This law authorises the Israeli Minister of Finance to extend the prohibition to other financial instruments.

In the year ended 31 December 2017, the Group derived approximately 1 per cent. of its revenues from its operations in Israel.

Regulatory framework within South Africa

Any person who seeks to provide financial services within or into South Africa (on a cross-border basis) is required to obtain authorisation as a financial services provider ("**FSP**"), or as a representative of an authorised FSP, from the FSCA in accordance with the Financial Advisory and Intermediary Services Act, 2002 ("**FAIS**"). The marketing of financial services or of the financial services business or capabilities of a non-licensed entity is also prohibited under FAIS.

FAIS defines the term "*financial product*" to include derivative instruments, a subset of which includes CFDs.

Further, FAIS defines "*financial services*" to include "*advice*" and "*intermediary services*". "*Advice*" is defined as:

"*any recommendation, guidance or proposal of a financial nature, furnished, by any means or medium, to any client or group of clients –*

(a) *in respect of the purchase of any financial product; or*

(b) *in respect of the investment in any financial product; or*

(c) *on the conclusion of any other transaction, including a loan or cession, aimed at the incurring of any liability or the acquisition of any right or benefit in respect of any financial product; or*

(d) *on the variation of any term or condition applying to a financial product, on the replacement of any such product, or on the termination of any purchase of or investment in any such product;*

irrespective of whether or not such advice –

i. *is furnished in the course of or incidental to planning in connection with the affairs of the client; or*

ii. *results in any such purchase, investment, transaction, variation, replacement or termination, as the case may be, being effected."*

Any recommendation or proposal of a financial nature to any client in respect of the purchase of any financial product, or in respect of an investment in any financial product, will constitute "advice" for the purposes of FAIS.

FAIS currently defines an "*intermediary service*" as:

"*… any act other than the furnishing of advice, performed by a person for or on behalf of a client or product supplier –*

(a) *the result of which is that a client may enter into, offers to enter into or enters into any transaction in respect of a financial product with a product supplier; or*

(b) *with a view to –*

i. *buying, selling or otherwise dealing in (whether on a discretionary or non-discretionary basis), managing, administering, keeping in safe custody, maintaining or servicing a financial product purchased by a client from a product supplier or in which the client has invested;*

ii. *collecting or accounting for premiums or other moneys payable by the client to a product supplier in respect of a financial product; or*

iii. *receiving, submitting or processing the claims of a client against a product supplier*".

An "*intermediary service*" is defined in FAIS as any act that sees a third party acting as a 'go-between' in relation to a product supplier and a client, which act directly enables or causes the client to enter into a transaction with a product supplier in respect of a financial product.

The definition of "*intermediary services*" set out above has been amended by the Financial Sector Regulation Act, 2017 ("**FSRA"**) and, once the amended definition is in force, an "intermediary service" will no longer be limited to activities of third parties which result in transactions between clients and product suppliers. The new definition extends the scope of what constitutes intermediary services to include the activities of product suppliers trading on a principal-to-principal basis with South African-resident clients. The definition introduced by the FSRA has been incorporated into FAIS but its effective date has not yet been announced.

The Group's subsidiary, Plus500AU, is licensed by the FSCA to render "*intermediary services*" only (without "*advice*") and to market such services into South Africa. Plus500AU is licensed by the FSCA to render intermediary services in respect of CFDs, and to market its services in this regard, on a cross-border basis. Plus500SA, the South African incorporated subsidiary of the Group, obtained a licence from the FSCA in February 2018 in order to offer and render "*intermediary services*" with respect to CFDs in relation to South African clients. The South African financial services regulatory regime under FAIS imposes a host of business or market conduct rules on registrants, including Plus500AU and Plus500SA. These rules include requirements relating to disclosure, marketing and consumer complaint procedures. Plus500AU and Plus500SA are each required to, amongst other things, provide clients with a disclosure statement that contains sufficient information regarding Plus500AU and Plus500SA respectively, and the financial products sold, so that a client can make an informed decision on whether to purchase the financial product. Further requirements relating to the fitness and propriety of key officers and employees named in the FAIS licence also apply on a continuous basis.

In terms of section 45 of the Determination of Fit and Proper Requirements for Financial Services Providers, 2017 published under Board Notice 194 of 2017 ("**Fit and Proper Requirements**") the following financial soundness requirements are imposed on FSPs;

- An FSP must at all times maintain financial resources that are adequate both as to amount and quality to carry out their activities and supervisory arrangements and to ensure that liabilities are met as they fall due;

- the assets of a Category I FSP that does not hold, control or has access to client assets or that does not collect, hold or receive premiums or other monies in respect of a financial product, must at all times exceed such FSP's liabilities;
- an FSP in respect of Category I that holds, controls or has access to client assets or that collects, holds or receives premiums or other monies in respect of a financial product must at all times comply with the following requirements:
  - the assets of the FSP (excluding goodwill, intangible assets, investments in and loans to related parties and investments with or loans to persons to whom the FSP renders financial services) must at all times exceed the FSP's liabilities (excluding loans subordinated in favour of other creditors);
  - the FSP's assets must exceed current liabilities; and
  - the FSP shall at all times maintain liquid assets equal to or greater than 4/52 weeks of annual expenditure;
  - the FSP must submit to the Registrar of FSPs, on an annual basis and simultaneously with the financial statements, a completed and signed Form A in Annexure Six of the Fit and Proper Requirements;
  - the FSP must, in writing, immediately notify the Registrar of FSPs when: (a) its assets exceed its liabilities by less than 10 per cent.; (b) its current assets exceed its current liabilities by less than 10 per cent.; (c) the ESP does not meet any of the above financial soundness requirements; or (d) the FSP becomes aware of an event or situation that may or will result in it not meeting any of the above financial soundness requirements; and
  - the FSP must have sound, effective and comprehensive strategies, processes and systems to assess and maintain, on an ongoing basis, the amounts, types and distribution of financial resources that it considers adequate to cover the nature and level of risks to which it is or might be exposed, and the risk that the FSP might not be able to meet the financial soundness requirements.

Generally, an authorised FSP is required to notify the FSCA of, amongst other things, any direct change in its shareholding within 15 business days following the change.

In addition to the application of FAIS, Plus500AU and Plus500SA, by virtue of them being licensed FSPs, are each also deemed to be an "accountable institution" in terms of the Financial Intelligence Centre Act, 2001 as amended ("**FICA**"), which is South Africa's primary anti-money laundering legislation. Plus500AU has been registered as an accountable institution with the South African Financial Intelligence Centre since 23 February 2017. Plus500SA has been registered as an accountable institution with the South African Financial Intelligence Centre since April 2018.

An accountable institution is required to adopt a risk-based approach and develop a Risk and Compliance Management Programme to manage the risks associated with various ongoing client identification and verification ("**KYC"**), record-keeping and reporting obligations imposed under FICA. FICA strictly prohibits an accountable institution from entering into any transaction with clients without ensuring that the KYC processes are completed. Suspicious transactions and transactions by clients above certain prescribed thresholds must also be reported to the Financial Intelligence Centre.

As at the date of this Prospectus, there have not been any administrative sanctions issued by any South African regulator against Plus500AU or Plus500SA.

On 25 July 2017, a complaint was submitted to the FSCA by a citizen of Lesotho implicating Plus500AU in an alleged fraudulent forex trade offered by a third party company. Plus500AU formally responded to the FSCA denying any dealings with the relevant third party company and the complainant. Plus500AU has heard nothing further from the FSCA regarding this matter since the date of its formal response but future regulatory engagement on the matter cannot be ruled out. On 31 August 2017, the FSCA issued an enquiry letter to Plus500AU indicating that the FSCA had received a complaint regarding Plus500AU's alleged trading of Bitcoin and requesting Plus500AU to provide certain information in relation to its Bitcoin-related activities. On 4 September 2017, Plus500AU formally responded to the enquiry letter. It is unknown to Plus500AU and to the Group whether or not the FSCA is still investigating these complaints.

The South African regulatory regime is very dynamic, with numerous consequential changes having recently been introduced and some set to be introduced over the next few years. As at the date of this Prospectus, South Africa has adopted a “twin peaks” model of financial regulation, with much of the groundwork for this new model having been laid down in the FSRA. The implementation of the so-called “twin peaks” model in South Africa has resulted in the establishment of two regulators, namely the new Prudential Authority within the South African Reserve Bank, responsible, amongst other things, for the safety and soundness of financial services providers, and the FSCA, whose duties it will be to protect customers of financial services firms and to supervise the way in which FSPs operate.

As at the date of this Prospectus (and related to the new twin peaks model) a new legislative instrument, the Conduct of Financial Institutions Bill (“**COFI Bill**”), which is likely to replace FAIS in due course and which may alter the existing licensing regime, is expected to be published for public comment during the first half of 2018.

South Africa is also in the process of introducing a Retail Distribution Review (“**RDR**”) framework in relation to financial services, which is currently in draft form. RDR, once finalised and in effect, will replace or supplement the financial interest restrictions currently contained in the market conduct rules imposed under FAIS with an entirely new set of restrictions on the manner in which FSPs/product suppliers are able to charge fees or commission to their clients.

As CFDs are derivative instruments, they also fall within the regulatory ambit of the Financial Markets Act of 2012 (“**FMA**”), particularly under the definition of “securities”. The FMA defines “securities” to include listed and unlisted derivatives instruments. The FMA currently does not prohibit the buying and selling of unlisted securities (including, unlisted derivatives (such as CFDs)).

On 9 February 2018, National Treasury published the Financial Markets Act Regulations (GNR98/2018) (“**Regulations**”) in line with its commitments to, among other things, reform the over-the-counter (“**OTC**”) derivative market. In terms of the Regulations, persons who, as a regular feature of business and transacting as principals, originate, issue, sells or make a market in an OTC derivatives, are now regulated as an OTC derivative provider under the Regulations and must be registered as such.

Regulatory framework within Singapore

The regulation of activities and institutions in the securities, futures and derivatives industry, including leveraged foreign exchange trading, and of clearing facilities, and other related matters in Singapore is governed primarily by the Securities and Futures Act, Cap. 289 (the “**SFA**”) and its subsidiary legislation. There are secondary regulatory requirements which include internal policies, conditions and requirements imposed by the Monetary Authority of Singapore (“**MAS**”).

Capital markets services licence

Part IV of the SFA provides for the regulation of the capital markets services licence (“**CMS licence**”) regime. Pursuant to s.82 SFA, a person who carries on any regulated activities in Singapore is required to obtain the requisite CMS licence unless it falls within certain exceptions. In addition, it may not carry on business in activities regulated under the SFA or hold itself out as carrying on such business unless the CMS licence is first granted by the MAS.

If found guilty of conducting a regulated activity without a CMS licence in Singapore, a natural person may be fined up to S$150,000 or imprisoned for a term up to 3 years, or both, and, in the case of a continuing offence, to a further fine up to S$15,000 for every day or part thereof during which the offence continues after conviction. A company may be fined up to twice the maximum amount prescribed if found guilty of any offence under the SFA. In addition, where a company or unincorporated association is guilty of an offence under the SFA, any director, executive officer, secretary or similar officer of the company or unincorporated association who was knowingly concerned in or party to the commission of the offence may also be guilty of that offence and liable on conviction to a fine up to S$100,000 or to imprisonment for a term up to 2 years, or both.

The business undertaken by Plus500SG involves it carrying on regulated activities. On 6 December 2017, the MAS granted Plus500SG a CMS licence to carry on business in two regulated activities: dealing in securities and leveraged foreign exchange trading.

A CMS licence is granted only to a company. Any individual who wishes to conduct any regulated activities on behalf of a CMS licence holder must be appointed as its appointed, provisional or temporary representative under the Representative Notification Framework, unless otherwise exempted. The CMS licence holder would need to notify MAS of such appointment and certify that the individual is fit and proper. The MAS maintains an online Register of Representatives, which may be accessible by the public.

Policies, Systems and Ongoing Obligations

After being granted the CMS licence, CMS licence holders must comply with ongoing requirements such as minimum capital and financial risk requirements and conduct of business obligations. These requirements are provided under the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licenses) Regulations and the Securities and Futures (Licensing and Conduct of Business) Regulations, which are secondary legislations implemented under the SFA.

A CMS licence holder is required to have in place proper risk management systems and controls to manage its operations and activities. Amongst other things, a CMS licensee is required to implement effective written policies on all operational areas; put in place compliance functions and arrangements to protect investors and reduce the risk of legal or regulatory sanctions; identify, address and monitor the risks associated with its trading or business activities; ensure that its business activities are subject to adequate internal audit; and ensure effective controls and separation of duties to mitigate potential conflicts of interest.

The presentation and contents of advertising materials that are published or circulated by a CMS licence holder are also regulated. In particular, advertising materials must not contain any inaccurate or misleading statement or presentation, or any exaggerated statement or presentation the purpose of which is to exploit an individual's lack of experience or knowledge.

A CMS licence holder dealing in futures contracts or leveraged foreign exchange contracts is required to provide a risk disclosure document (in the form prescribed by MAS) to its customers prior to account opening. In addition, the SFA Notice on the Sale of Investment Products (SFA 04-N12) requires a CMS licensee to furnish a risk warning statement (in the form prescribed by MAS) to customers and obtain their acknowledgement of the statement prior to allowing them to transact in overseas-listed investment products.

A CMS licence holder is required to deposit monies or assets received from its customers in a trust or custody account maintained with a regulated bank or finance company and to keep such an account separate from any other account in which the CMS licence holder deposits its own monies or assets. These requirements, set out at Parts III and IV of the Securities and Futures (Licensing and Conduct of Business) Regulations, serve to protect the customers against the default of the CMS licensee whom they have a direct relationship with.

A CMS licence holder that deals in securities, trades in futures contracts or engages in leveraged foreign exchange trading is required to keep proper records of the transactions that it undertakes for its customers.

A CMS licence holder operating in Singapore will also be required to put in place robust controls to detect and deter the flow of illicit funds through Singapore's financial system. The requirements on financial institutions are set out in MAS' Notices on the Prevention of Money Laundering and Countering the Financing of Terrorism ("**AML/CFT Notices**"). In this regard, a CMS licence holder must exercise due diligence when dealing with customers and persons appointed to act on the customer's behalf and beneficial owners. It must conduct its business in conformity with high ethical standards, and put in place appropriate measures to ensure that it does not undertake any transaction that is, or may be, connected with or may facilitate money laundering or terrorist financing. It should, whenever possible and to the fullest extent possible, assist and cooperate with the relevant law enforcement authorities in Singapore to prevent money laundering and terrorist financing. All natural and legal persons in Singapore are prohibited from dealing with or engaging in any business or commercial activity with designated individuals and entities who have been blacklisted for the purposes of anti-money laundering and countering the financing of terrorism. Under the Monetary Authority of Singapore Act, Cap. 186, a financial institution that fails or refuses to comply with the requirements of its applicable AML/CFT Notice is guilty of an offence and may be liable on conviction to a fine not exceeding S$1,000,000.

In addition, important competency requirements are imposed on key employees and office holders of the CMS licence holders. The board of directors and senior management of the applicant should uphold good corporate governance standards and practices. All CMS licence holders must have at least two directors, at least one of whom must be resident in Singapore. The chief executive officer of the CMS licence holder must be resident in Singapore. Furthermore, the CMS licence holder must employ at least two full time individuals in respect of each regulated activity for which the company is licenced to conduct; and who are appointed representatives for the relevant regulated activity as required under the SFA.

Several proposed amendments to the SFA as well as draft notices and guidelines have undergone public consultation to introduce changes to the SFA regulatory regime. The most recent public consultation exercise related to a consultation paper proposing a draft notice and guidelines on the execution of customers' orders which seeks to formalise its expectations in relation to best execution.

The proposals referred to in this consultation paper related to the formalisation of MAS' requirement for CMS licence holders to establish policies and procedures in order to place or execute customers' orders on the best available terms ("**Best Execution**"). This follows MAS' earlier proposals for market operators to have in place measures to facilitate the execution of customers' orders to ensure that its handling and execution of bids and offers are conducted on a fair and objective basis.

Several key requirements were proposed during the consultation process: a CMS licence holder must establish policies and procedures for Best Execution which cover all capital markets products and capacities in which it is acting. The policies and procedures must be approved by the CMS licence holder's board of directors and reviewed periodically. In establishing the Best Execution policies and procedures, the CMS licence holder may take into account different factors, such as price, costs, speed, likelihood of execution and settlement, size and the nature of the customer's order. The Best Execution obligation applies regardless of the type of customer.

These new rules will apply to CMS licence holders amongst others. The MAS consultation closed on 18 December 2017 and, as such, the proposed rules may be subject to further amendments arising out of the public consultation before they are implemented.

Any non-compliance with laws or regulatory requirements relating to financial promotions could subject members of the Group or its directors and/or employees to disciplinary action, criminal penalties, civil lawsuits and/or fines.

Extra-territorial effect of the SFA

Those provisions under the SFA which deal with the regulation of the CFD market have extra-territorial effect. Where a person is deemed to commit an act partially in Singapore and partially outside Singapore which, if done wholly in Singapore, would constitute an offence under the SFA, that person will be guilty of an offence and sanctions may be imposed as if the offence was committed wholly in Singapore (s.339(1) SFA). If a person is deemed to commit an act entirely outside Singapore, which has a substantial and reasonably foreseeable effect in Singapore and which would, if carried out in Singapore, constitute an offence under the SFA, that person will be guilty of that offence as if the act was committed in Singapore (s.339(2) SFA).

Commodity Trading Act

In addition to the SFA, the Commodity Trading Act, Cap. 48A ("**CTA**") covers all commodities and regulates commodity trading activities, including trading in CFDs referenced to spot commodities. Under the CTA, brokering activities for commodity trading requires certain licences and holders of such licences are required to comply with the regulations under the CTA (unless specifically exempted under the CTA).

On 7 February 2017, the parliament of Singapore passed a bill to amend the International Enterprise Singapore Board Act to reflect changes in International Enterprise Singapore's (now known as Enterprise Singapore) role. As a result, Enterprise Singapore's regulatory function over the commodity trading industry will be limited to spot commodity trading and the rubber trade industry. Accordingly, the regulatory oversight of commodity derivatives, including CFDs, will be transferred from Enterprise Singapore under the CTA to the MAS under the SFA. Once the proposed changes have been implemented, entities which engage in broking both commodity derivatives and commodity futures will require only a single CMS licence from MAS. Given that these proposed changes have not yet been implemented, the Group will be required to obtain a commodity broker's licence ("**CB Licence**") in order to offer CFDs over spot commodity trading in Singapore.

On 8 February 2018, Plus500SG was granted a CB Licence in respect of CFD trading in spot commodities for a period of one year up to and including 7 February 2019. A CB Licence holder is required to comply with the Commodity Trading Regulations 2008, which is a set of regulations under the CTA relating to, amongst other things, accounting and auditing requirements, business conduct, minimum financial requirements and risk disclosure.

If found guilty of carrying on business as a commodity broker without a commodity broker's licence, a natural person may be fined up to S$100,000 or imprisoned for a term up to three years or both. In addition, where a company is guilty of an offence under the CTA, any director, manager, secretary or other officer of the company who was, in any way, by act or omission, directly or indirectly, knowingly concerned in, or a party to, the commission of the offence is also guilty of that offence and liable on conviction to a fine up to S$20,000.

Regulatory framework of other countries in which the Group's offering is available to customers

General

The Group also has customers in jurisdictions outside the EEA, Australia, South Africa, Israel, New Zealand and Singapore. Jurisdictions outside the EEA, Australia (including New Zealand), South Africa, Israel and Singapore accounted for approximately 9.6 per cent. of the Group's revenues in the financial year ended 31 December 2017. The regulatory and legal framework in these jurisdictions is complex and varies significantly.

The Group decides to make available its offering in such jurisdictions based on its view of: (a) the local legal and regulatory regime in the relevant jurisdiction (in relation to which local advice is commonly sought by the Group); and (b) the Group's assessment of the legal, regulatory and commercial risk in the relevant jurisdiction (including the likelihood of enforcement action being taken against the Group and/or its directors).

The Group has grown rapidly and as part of this growth has, in the past, commenced trading in a limited number of jurisdictions where its services have subsequently been found to constitute, or were likely to constitute, an offence and the penalties (whether civil, criminal, regulatory or other) against the Group or its directors were unknown. The Group subsequently took measures to mitigate these risks including obtaining local legal opinions and putting in place blocks for IP addresses registered in those restricted jurisdictions. The Group has also adopted a policy that requires certain action to be taken to reduce risk in any jurisdiction in which the Group plans to offer its services post-Admission. Such policy also requires a higher standard of due diligence, than has previously been undertaken, to be conducted before services are offered in any new jurisdiction.

2. DATA PROTECTION AND PRIVACY

The Group is subject to rules and regulations concerning the treatment of information it collects about its customers and other individuals.

Regulatory framework within the United Kingdom

The European Union adopted a directive on the protection of individuals with regard to the processing of personal data and the free movement of such data on 24 October 1995 (Directive 95/46/EC) (the "**Data Protection Directive**"). The Data Protection Directive applies to companies established in the European Union or using equipment in the European Union to process personal data. The Data Protection Directive has now been replaced by the GDPR in the European Union jurisdictions in which the Group has customers. In the United Kingdom, the GDPR has been implemented into law by the Data Protection Act 2018 (the "**DPA**"). The GDPR imposes restrictions on the collection, use and processing of personal data and guarantees the rights of individuals who are the subject of personal data ("**Data Subjects**") with regards to their personal data. These rights include the right of access to personal data, the right to know the purpose for which their data is being processed, the recipients of the data and the source, the right to prevent processing likely to cause damage or distress, the right to have inaccurate data rectified, the right to recourse in the event of unlawful processing and the right to prevent the use of their personal data for direct marketing.

In the UK, under the DPA, personal data may not be processed unless the eight data protection principles set out in the GDPR have been complied with, including the obligation to process data fairly and lawfully which requires organisations to provide data subjects with clear and transparent information about the purposes for which their personal data is being processed – in the context of e-commerce businesses, this is usually undertaken by "privacy policy" documents made available during registration, forming part of the terms of use, and then available for reference on websites. In certain circumstances, the organisation which determines the purposes for processing the personal data (known as the "data controller") may be required to notify the processing with the Information Commissioner's Office ("**ICO**") and the ICO will include the data controller on its list of registered data controllers under the DPA. Plus500UK is currently registered with the ICO under the DPA in the United Kingdom.

The GDPR also restricts the ability of data controllers to send personal data outside of the EEA unless the country to which such data is sent has "adequate" data protection measures in place. A small number of countries outside the EEA have been found by the European Commission to provide an adequate degree of protection – these include Israel, Argentina, Canada (to a limited extent), Faroe Islands, Guernsey, Isle of Man, Jersey, New Zealand, Switzerland, Andorra and Uruguay. However, the European Commission has not at this time reached a favourable conclusion about the majority of countries outside of the EEA in which the Group may have customers and to which it may wish to send data. Nevertheless, it is possible under the DPA to transfer personal data to other non-EEA countries where: (i) where the data controller has appropriately assessed the adequacy of the non-EEA country's data protection laws; (ii) where data is transferred under contracts which have been approved and deemed adequate by the European Commission (known as "model clauses"); or (iii) where the ICO has approved "Binding Corporate Rules".

It should be noted that the European Union's data protection and privacy framework was replaced and updated by the GDPR which came into force (and is directly applicable in all European Union member states) on 25 May 2018. The GDPR is likely to result in a greater compliance burden for the Group. The reasons for this include:

- fines for non-compliance will be significantly increased, up to a maximum of 4 per cent. of worldwide annual turnover;
- serious data security breaches will have to be reported (generally within 72 hours) to the relevant EU data protection authority, and in some cases to affected individuals;
- where the Group relies on individuals' consent, the consent must be specific, freely given, unambiguous and informed, with detailed notifications given to individuals about how their personal data will be processed;
- new products and services must be designed and planned with data protection at their heart (the so-called "Privacy by Design" principle), requiring detailed data protection impact assessments ("**DPIAs**") to be undertaken in some cases;
- individuals will be able to exercise new rights to control their personal data, including the right to require the Group to delete their data in certain circumstances; and
- the Group will need to determine the extent to which it is required by the GDPR to appoint a Data Protection Officer ("**DPO**"); this is an internal compliance role with a high degree of independence, required to report on data protection compliance at a board level.

The Group has taken steps in order to prepare to comply with the GDPR. Ongoing compliance efforts will continue to require the investment of internal resource and the engagement of appropriate external advisers.

There is also another European Directive which governs privacy and the processing of personal data, specifically in the electronic communications sector (the Privacy and Electronic Communications Directive (Directive 2002/58/EC) ("**e-Privacy Directive**")). The e-Privacy Directive covers the processing of personal data on all public electronic communication systems, not just computers and the internet, although service providers operating over the public internet are most significantly affected. It specifically addresses the issues of direct marketing by e-mail and SMS and therefore affects the way the Group may use the personal data it collects from its customers and other individuals in order to market its business. The e-Privacy Directive was implemented into law in the United Kingdom by the Privacy and Electronic Communications (EC Directive) Regulations 2003 ("**PECRs**"). It is important to note that FCA Rules also place restrictions on "cold calling" and in any event the Group does not use "cold calling" as a marketing strategy.

The e-Privacy Directive was amended in 2009 by Directive 2009/136/EC. The changes were implemented in the UK through amendments in 2011 to the PECRs, which place restrictions on the use and/or storage by website operators of "cookies" or similar technologies. Cookies may only be placed on a website user's computer where:

- the user has been provided with clear and comprehensive information about the purposes for which the cookies are stored and accessed (usually by way of a cookie policy, in a similar way to a privacy policy noted above) and has given their consent; or
- planting of the cookie falls within the scope of legislative exceptions.

It is proposed that the e-Privacy Directive will be repealed and replaced by an e-Privacy Regulation. The draft Regulation is currently being negotiated between the European legislative bodies and the final form of the legislation is unconfirmed. The resulting legislation could impact on the ability of the Group to conduct marketing by electronic means.

Plus500UK has adopted a formal cookie and privacy policy in order to address applicable data protection laws in the United Kingdom.

Regulatory framework within Cyprus

Inevitably every organisation collects and processes personal data in order to perform its day-to-day operations.

The processing of personal data in Cyprus is governed by the Processing of Personal Data (Protection of the Individual) Law of 2001L 138(I)/2001 (as amended in 2003 and 2012). The Law was amended in 2003 in order to harmonise Cyprus legislation with the Directive of the European Union (95/46) of the European Parliament and the Council Decision of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data. The Data Protection Directive applies to companies established in the European Union or using equipment in the European Union to process personal data.

Moreover, the Cyprus Constitution adopted in 1960 in addition to the protection of every person's private and family life (Article 15) which is subject to exceptions necessary for the interests of security of the Republic or public safety or order or public health or morals or the protection of the rights and liberties of others, Article 17 of the Constitution specifically provides that every person has the right to respect for, and to the secrecy of, his correspondence and other communication, if such other communication is made through means not prohibited by law subject to the exceptions listed in Article 17(2) of the Cyprus Constitution.

Article 5 of the Law specifies that personal data may be processed only if the data subject has unambiguously given his consent. The Commissioner for Personal Data Protection has also adopted the Article 29 of the Data Protection Working Party's Opinion on Consent (Working Party 187).

Notwithstanding the provisions of Article 5 of the Law, personal data may be processed without the data subject's consent where:

- processing is necessary for compliance with a legal obligation to which the controller is subject;
- processing is necessary for the performance of a contract to which the data subject is party, or in order to take measures at the data subject's request prior to entering into a contract;
- processing is necessary in order to protect the vital interests of the data subject;
- processing is necessary for the performance of a task carried out in the public interest or in the exercise of public authority vested in the controller or a third party to whom the data are communicated;
- processing is necessary for the purposes of the legitimate interests pursued by the controller or by the third party to whom the personal data are communicated, on condition that such interests override the rights, interests and fundamental freedoms of the data subjects.

Under Article 6 of the Law, the collection and processing of sensitive personal data is not allowed unless if the exceptions stated in Article 6(2) of the Law apply.

Article 15 of the Law specifies that 'Personal data' cannot be processed by anyone for the purposes of direct marketing or provision of services, unless the data subject notifies his consent to the Data Controller.

The use of techniques such as cookies, web-bugs (files designed to trace web-visitors) or other technical methods that are not always obvious to the data subjects concerned and which allow website operators to create detailed profiles of visitors, according to their preferences and visits to web pages, third party advertisements and the like, is not essentially incompatible with the Law. However in order to make the use of such techniques legitimate, the website operator should always inform visitors of the intended use of their personal data and obtain their consent in relation to such use ('opt-in').

Directive 2002/58 on Privacy and Electronic Communications (the e-Privacy Directive) was transposed into national law in April 2004 in the Regulation of Electronic Communications and Postal Services Law of 2004, Law 112(I)/2004-2017 and hence, the Commissioner follows the guidelines set out in the Opinion of the Article 29 of the Data Protection Working Party on online behavioural advertising (Working Party 171).

The binding corporate rules ("**BCR**"s) are internal rules adopted by multinational groups to define the group's global policy with regard to international transfers of personal data within the same corporate group to entities located in countries which do not provide an adequate level of protection. Draft rules must be submitted to the Commissioner for approval together with a completed application form (available on the Commissioner's website). The Republic of Cyprus participates in the mutual recognition procedure launched in October 2008 by Article 29 of the Working Party.

Regulatory framework within the rest of the EEA

The GDPR and e-Privacy Directive have been implemented within most European Union jurisdictions in which the Group has customers, but there are variations in the way in which the member states have chosen to implement or supplement such laws. The Group will be responsible for compliance with the local laws of the applicable European Union member states to the extent it is deemed a "data controller" and therefore responsible for compliance with such laws. The GDPR and e-Privacy Directive do not apply directly to EEA member states which are not part of the European Union, however, such states are obliged to enact similar laws as a consequence of their membership of the EEA. The Directors believe that compliance with UK requirements (i.e. compliance with the DPA and PECRs) means that the Group is likely to have complied across the EEA to the extent that the UK compliance obligations are applicable in other EEA member states. The Group has not reviewed compliance in these jurisdictions and there is a risk that the Group is not, or will not in the future be, compliant with some specific EEA member state laws. A breakdown of the different laws across the EEA and the Group's compliance with such laws falls outside of the scope of this Prospectus.

Regulatory framework within Australia

The Privacy Act 1988 (Cth) ("**Australian Privacy Act**") is an Australian law which regulates the handling of personal information about individuals. This includes the collection, use, storage and disclosure of personal information. Personal information includes information such as:

- an individual's name or address;
- bank account details and credit card information;
- health information and an individual's ethnicity; or
- information about an individual's political opinions and religious beliefs.

The Australian Privacy Act includes:

- thirteen Australian Privacy Principles ("**APPs**") that apply to the handling of personal information by all businesses and non-profit organisations with an annual turnover of more than AU$3 million, Australian Government agencies and some small businesses, based in Australia; and

- credit reporting provisions that apply to the handling of personal information, such as credit reports and other credit worthiness information about individuals by credit reporting bodies, credit providers and some third parties based in Australia.

The APPs include the following principles

- what an organisation should do when collecting personal information including when it can collect personal information, what it can collect, collection from third parties and, generally, what it should tell individuals about the collection;
- how an organisation may use and disclose an individual's personal information;
- the steps which must be taken to ensure the personal information an organisation holds is accurate and up-to-date, and is kept secure from unauthorised use or access; and
- how organisations should protect personal information that they transfer outside Australia.

The APPs also requires an organisation to have a policy on how it manages personal information, and to make that policy available to anyone who asks for it.

The Australian Privacy Act also places obligations on agencies and organisations based in Australia to handle sensitive information with particular care. Sensitive information includes information relating to health, racial or ethnic background, or criminal records.

A mandatory data breach notification scheme applies under Australian privacy laws. This requires Plus500AU to notify an individual of a data breach which is likely to result in serious harm to that individual.

Plus500AU has adopted a privacy policy which reflects all of the requirements and obligations of the Australian Privacy Act, and it also has a privacy statement which is provided to individuals when they remit their personal information to Plus500AU.

Australian law also includes the Spam Act 2003 (Cth) ("**Spam Act**"). The Spam Act prohibits sending unsolicited commercial electronic messages. Commercial electronic messages include emails, instant messaging, fax, SMS and MMS (text and image-based mobile phone messaging) which are commercial in nature.

However, the Spam Act permits commercial electronic messages which have been consented to by the recipient. Unless otherwise designated as "exempt", the permitted commercial electronic message must meet three conditions. They must:

- be sent with the consent of the recipient;
- identify the sender; and
- include a functional unsubscribe mechanism.

The Spam Act applies to any commercial electronic message with an Australian link, regardless of the size of the business that sent the message. However, the Spam Act partially exempts messages that contain purely factual material, for example, a product recall notice issued for safety reasons. Partially exempted messages must still comply with the requirements related to identifying the sender.

The Australian Privacy Act may also regulate such activity where it involves the use of personal information by an organisation or agency that falls within its jurisdiction. Depending on what other information is held, an anonymous email address may or may not be personal information under the Privacy Act. Where both the Spam Act and the Australian Privacy Act apply, both sets of obligations need to be met.

Plus500AU has taken measures to comply with the Spam Act but there is a risk that the Group is not, or will not in the future be, in full compliance with the requirements of the Spam Act.

Regulatory framework within Israel

In general, Israel's Protection of Privacy Law, 5741-1981 (the "**Israeli Privacy Law**") provides that no person shall manage or possess a database that requires registration, unless the database has been registered in the registry.

A "database" is defined in the Israeli Privacy Law as a collection of data kept by magnetic or optical means and intended for computerised processing, but excludes (i) a collection of data for personal use that is not used for business purposes, and (ii) a collection of data that contains only names, addresses and means of communicating with the data subject (e.g. email addresses), which in itself does not create any characterisation that infringes the privacy of the people whose names are included in it, so long as neither the owner of the collection nor any body corporate under the owner's control has an additional collection of data.

According to the Israeli Privacy Law, a database owner is obligated to register its database in the registry, if (i) the database contains information on more than 10,000 persons; (ii) the database contains sensitive information; (iii) the database includes information on persons, and the information was not delivered to this database by such people, on their behalf with their consent; (iv) the database belongs to a government agency; or (v) the database is used for direct mailing. "Sensitive information" is defined as data on the personality, intimate affairs, state of health, economic position, opinions and beliefs of a person and other information that the Israeli Minister of Justice determined by order to be sensitive information. In connection with the launch of operations in Israel by Plus500IL, the Company has registered a database with the Israeli Database Registrar with respect to the customer's information collected and maintained by it. Plus500IL is registered with the Israeli Database Registrar as a holder of such database.

Regardless if registered or not, an owner of a database that wishes to transfer a database outside of Israel is required to comply with the Israeli Regulations on Privacy Protection relating to the transfer of databases abroad. These regulations provide that the transfer of data outside of Israel shall be conditioned upon the country to which the data is being transferred having laws that ensure the protection of the data at a level that is not less than that protection afforded under Israeli law. The regulations further provide that such condition is deemed to have been complied with if the data is transferred to a database in a country which is a party to the Data Protection Directive, or which receives data from member states of the European Union, under the same terms of acceptance.

In May 2018, the new Israeli Regulations for the Protection of Privacy (the Privacy Protection Regulations (Data Security) 2017 came into force and will likely result in a greater compliance burden for the Company and Plus500IL. For example, under the new regulations, a data owner will be required to prepare a database definition document with guiding principles regarding the collection, storage and use of personal information, information regarding the different categories of data stored in each database and any intended transfer of the data to third parties (including outsourcing services). The purpose in respect of the use of the personal information must also be specified. Additionally, a data owner will be required to prepare data security procedures based on the database definition document detailing physical and environmental security requirements, access permissions, security measures, risk assessments regarding the data owner's regular activities and the procedures to eliminate such risks, encryption requirements, security breach management, and instructions regarding the use and/or connection with mobile devices. For databases requiring medium or high-level protection, there will be additional security requirements. The data owner will be further required to map and create a computerised inventory of its IT systems, programs and interfaces. A data owner of databases requiring high-level protection will also be obligated to conduct risk assessment surveys and penetration tests every 18 months. Any security breach event will need to be documented, preferably by automated means where possible, and discussed on a yearly or quarterly basis depending on the level of security required. A data owner will be required to report any severe data breach and the measures taken to mitigate it to the Registrar of Databases, immediately, and the Registrar may instruct the data owner to notify the security breach to the data subject affected by the breach.

A breach of privacy under the Israel Privacy Law may result in statutory damages of up to NIS50,000, as well as criminal and civil sanctions.

The laws and regulations highlighted above may restrict the ability of the Group to deal with customer information.

Regulatory framework within South Africa

The Protection of Personal Information Act 4 of 2013 ("**POPIA**") is South Africa's first comprehensive data protection legislation. POPIA imposes restrictions on responsible parties (i.e. those who determine, the means of, and purpose for, processing personal information, generally referred to as data controllers in other jurisdictions) in relation to the collection, use and processing of personal data and guarantees the rights of individuals and legal entities ("**data subjects**") with regards to their personal information. These rights include the right of access to personal data, the right to know the purpose for which their data is being processed, the recipients of the data and the source, the right to have inaccurate data rectified, the right to recourse in the event of unlawful processing and the right to prevent the use of their personal data for direct marketing.

While some limited provisions of POPIA are currently in effect (being the definitions section, sections relating to the office of the data protection authority and provisions relating to the making of regulations under POPIA) the operative provisions of POPIA, including those stating the conditions for the lawful processing of personal information, are not yet in effect. It is expected that the operative provisions of POPIA will come into effect once the draft regulations that were published for comment in September 2017 are finalised. POPIA is likely to come into effect during the course of 2018.

POPIA will apply to companies established in South Africa or using equipment in South Africa to process personal data. As such, POPIA will be applicable to both Plus500AU (by virtue of its activities in South Africa) and Plus500SA (as it is incorporated in South Africa).

While the operative provisions of POPIA are not yet in effect, its provisions codify the existing protections provided for under the common law and the Constitution of the Republic of South Africa (the "**Constitution**"). As such, it is common practice for businesses operating in South Africa to comply with the provisions of POPIA pending its full commencement.

Under POPIA personal information may not be processed unless the eight conditions for the lawful processing of personal information are met. These include the requirement to process personal information lawfully and in a reasonable manner that does not infringe the privacy of the data subject unnecessarily. Personal information may only be collected for a specific, explicitly defined and lawful purpose related to a function or activity of the responsible party and may only be retained by the responsible party only for the period that is necessary to achieve the stipulated purpose. Responsible parties are required to put in place appropriate and adequate safeguards to protect the personal information which they hold. Data breaches have to be notified to the Information Regulator. Responsible parties are required to make information available to data subjects regarding their data processing activities. Generally, responsible parties and particularly responsible parties which operate in the e-commerce sector do so by making their privacy policies or statements available to data subjects on their websites and by incorporating those policies into users' terms of use.

There are no general registration requirements for responsible persons under POPIA; however, limited processing activities are required to be notified to and authorised by the Information Regulator. These include the processing of personal information for credit reporting purposes, the use of personal information for a purpose other than the initial purpose for which the information was collected with personal information processed by other data controllers or where sensitive personal information is transferred to a foreign country which does not have adequate protection for personal information.

POPIA restricts the transfer of personal information to a third party in a foreign country. Such transfers are only permissible if the country to which information is transferred provides an "adequate" level of protection to the processing of personal information, or where the transferee is subject to binding corporate rules (in the case of intra-group transfers) or an agreement provides for an adequate level of protection or with consent of the data subject. It is not clear as yet whether the Information Regulator intends to make specific findings in relation to the adequacy of the data protection regimes of other countries or whether responsible parties are able to make their own assessment as to adequacy. It is likely that EEA jurisdictions and countries which have been found by the European Commission to provide an adequate degree of protection will be regarded as providing adequate protection for the purposes of POPIA.

POPIA contains restrictions in relation to the processing of personal information to communicate with people for the purposes of electronic direct marketing including email and SMS. These restrictions will affect the way the Group may use the personal information that it collects from its customers and other individuals in order to market its business. POPIA provides that prior consent of the data subject must be obtained in order for personal information to be used for marketing (i.e. opt-in consent is required) and that a data subject may be approached only once to obtain the required consent. Existing customers may be contacted without the need for further consent if their contact details were obtained in the context of the sale of a product or service in order to send direct marketing communications regarding the responsible party's own similar products or services. Data subjects must be given an opportunity to opt-out of receiving further communications in every communication that is sent. The Consumer Protection Act 68 of 2008 restricts "cold-calling".

There are no specific provisions in POPIA that regulate the use of cookies; however, the collection of unique identifiers through cookies would be regarded as the processing personal information and will need to comply with general data processing obligations.

Regulatory framework within Singapore

The Personal Data Protection Act 2012 (the "**PDPA**") establishes a general data protection law in Singapore which governs the collection, use, disclosure and care of personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need for organisations to collect, use or disclose personal data for purposes that a reasonable person would consider appropriate in the circumstances. The Personal Data Protection Commission (the "**Commission**") was established under the PDPA on 2 January 2013 as Singapore's main authority in respect of personal data protection, including the administration and enforcement of the PDPA.

The PDPA sets a baseline standard in respect of data protection for the private sector, and is supplemented by sector-specific regulatory and legislation. As such, organisations are required to comply with the PDPA in addition to any common law and other relevant laws applicable to their specific industries when handling personal data. The PDPA was passed by the Parliament of Singapore on 15 October 2012 and fully came into operation on 2 July 2014.

The PDPA applies to all organisations (save for public agencies and certain specified exceptions) to the extent that they collect, use or disclose personal data in Singapore, regardless of the relevant organisation's size. An "organisation" is defined broadly under the PDPA as including any individual, company, association or body of persons, corporate or unincorporated, and whether or not formed or recognised under the laws of Singapore, resident or having an office or place of business in Singapore, such that the PDPA applies not only to Plus500SG but extraterritorially to all members of the Group to the extent that they collect, use or disclose personal data in Singapore.

The PDPA has significant practical implications for organisations operating in Singapore. The PDPA contains two main sets of provisions, covering data protection and the Do Not Call Registry ("**DNC Registry**"), which organisations are required to comply with.

The PDPA's data protection obligations are set out in Parts III to VI of the PDPA (the "**Data Protection Provisions**"). Under the PDPA, the term "personal data" could cover different types of data relating to an individual and from which an individual can be identified, whether or not such data is true or false or whether the data exists in electronic or some other form. Such data may range from names, residential address and contact numbers to other types of data. Generic information such as gender, nationality, age or blood group may constitute part of an individual's personal data if it is combined with a unique identifier or other information such that it can be associated with an identifiable individual. The Commission has noted that provided a combination of data enables identification of an individual, that combination of data will constitute personal data.

The PDPA contains nine primary obligations which organisations must comply with if they undertake activities related to the collection, use and disclosure of personal data. Organisations are required to adhere to the Consent Obligation, Purpose Limitation Obligation, Notification Obligation, Access and Correction Obligation, Accuracy Obligation, Protection Obligation, Retention Obligation, Transfer Limitation Obligation and Openess Obligation (collectively, the "**Personal Data Protection Obligations**").

To comply with the Personal Data Protection Obligations, an organisation is required to inform the individual of the purposes for the collection, use or disclosure of the personal data and any other purpose of the use or disclosure of the personal data of which the individual has not been informed previously before the collection, use or disclosure of the personal data. Under the PDPA, an organisation shall not collect, use or disclose personal data about an individual unless the individual gives, or is deemed to have given, his consent under the PDPA in relation to its collection, use or disclosure or unless authorised under the PDPA. An individual is deemed to consent to the collection, use or disclosure of personal data if he or she voluntarily provides the personal information to that organisation and it is reasonable that the individual would do so. If an individual consents, or is deemed to have given consent, to the disclosure of the individual's personal data from one organisation to another organisation for a particular purpose, the individual is also deemed to consent to the collection, use or disclosure of the personal data for that particular purpose by that other organisation. An organisation may collect, use or disclose personal data about an individual only for purposes that a reasonable person would consider appropriate in the circumstances.

An individual may request an organisation to provide the individual with, as soon as reasonably possible, personal data about the individual that is in the organisation's possession or control and information in relation to the ways in which that individual's personal data has been, or may have been, used or disclosed by the organisation. The individual may also request that the organisation correct an error or omission in their personal data that is in the organisation's possession or control. Unless the organisation is satisfied on reasonable grounds that a correction should not be made, the organisation will be required to correct the personal data as soon as practicable and, if the individual consents, send the corrected personal data to the other organisation to which the personal data was disclosed by the organisation, unless that other organisation no longer requires the corrected personal data for its purposes.

An organisation is required to protect personal data in its possession or under its control by making reasonable security arrangements to prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks.

An individual may, on giving an organisation reasonable notice, withdraw any consent given or deemed given under the PDPA in respect of the collection, use or disclosure of his or her personal data. If an individual withdraws consent to the collection, use or disclosure of their personal data, the organisation shall immediately cease collecting, using or disclosing the personal data unless authorised under the PDPA. The organisation shall also cease to retain documents containing personal data or, if bona fide required to be retained for legal or business purposes, remove any means by which the personal data can be associated with the individual as soon as the purpose for which the personal data was collected ceases to be served and retention is no longer necessary.

An organisation must not transfer personal data to a country or territory outside Singapore except in accordance with the requirements prescribed under the PDPA and an organisation must implement the necessary policies and procedures in order to meet its obligations under the PDPA and shall make information about its policies and procedures publicly available.

To ensure openness and transparency in respect of their personal data policies and practices, all organisations are required to designate at least one person, a Data Protection Officer ("**DPO**"), as the officer responsible for ensuring that the organisation complies with the PDPA. The PDPA does not prescribe where geographically or organisationally the DPO should be based. The DPO need not be an employee of the organisation, and organisations may outsource this function to a third party. However, the DPO, whose business contact information is required to be made available to the public, must be contactable whenever a member of the public in Singapore attempts to contact him or her. Compliance by the organisation with the PDPA remains the responsibility of the organisation notwithstanding the appointment of the DPO.

Further to the Data Protection Provisions, the PDPA also sets out the Do Not Call provisions in Part IX of the PDPA ("**DNC Provisions**"). The PDPA provides for the establishment of the DNC Registry by the Commission. The DNC Registry allows individuals to register their Singapore telephone numbers in order to opt out of receiving marketing phone calls, mobile text messages and faxes from organisations. Pursuant to s.43 PDPA, an organisation shall not send any specified messages addressed to a Singapore telephone number unless it has applied to confirm, and has received confirmation from the Commission, that the Singapore telephone is not listed in the DNC Registry. Specified messages include messages that, having regard to, amongst other things, their contents and presentation, it could be concluded that the purpose of the message is to offer, advertise, promote or supply goods or services, land, business or investment opportunity.

Organisations must comply with the following obligations on the transmission of marketing messages to Singapore telephone numbers:

(i) duty to check the DNC Register before sending a specified message to a Singapore telephone number to confirm that the number is not listed on the DNC Register, unless the organisation has obtained clear consent for the transmission of the marketing message to the Singapore telephone number (s.43 PDPA) or if the organisation is exempted under the Personal Data Protection (Exemption from section 43) Order 2013 (S 817/2013) for the sending of an exempt message to that user or subscriber; and

(ii) duty to identify the sender of the message i.e. to not conceal or withhold the identity of the sender of the marketing message. This allows the recipient to contact the organisation for clarifications (if necessary).

The Data Protection Provisions and the Do Not Call Provisions are intended to operate in conjunction. Accordingly, organisations are required to comply with both the Data Protection Provisions and the Do Not Call Provisions when collecting, using and disclosing Singapore telephone numbers that are deemed to form part of an individual's personal data. Organisations need not comply with the Data Protection Provisions for Singapore telephone numbers that do not form part of an individual's personal data, but would still be required to comply with the Do Not Call Provisions.

If an organisation fails to comply with its data protection obligations, it risks regulatory sanction as well as private civil action. Non-compliance with certain provisions under the PDPA may constitute an offence, for which a fine or a term of imprisonment may be imposed. The quantum of the fine and the length of imprisonment (if any) will vary depending on which provisions are breached. The Commission may impose financial penalties of up to S$1 million. Furthermore, officers of body corporates could be liable criminally for the offence committed by the body corporate, where that offence is committed with the connivance or neglect of the officer.

The Directors believe that Plus500SG conducts its business in compliance with the PDPA. It has implemented measures to protect its customers' personal information and, in particular, it has adopted a privacy policy that reflects the requirements and obligations of the applicable data protection laws in Singapore.

3. REGULATORY PROCEEDINGS, REPORTS, INVESTIGATIONS, ETC

The Group is subject to extensive regulation which may, from time to time, result in regulatory proceedings being brought against it.

In the past, regulators in various jurisdictions (including the FCA and ASIC) have raised concerns regarding the Group's operations, policies and procedures (including customer on-boarding and money-laundering proceedings and customer terms) and, in some cases, certain past and present members of the Group have been the subject of fines and/or warning notices from such regulators. There is a risk that there may be residual liabilities stemming from these matters and that going forward other breaches will occur or will be deemed to have occurred. Failure to comply with the legal or regulatory requirements in any jurisdiction in which the Group's offering is available may have a significant adverse effect on the business and operations of the Group.

Key Regulatory interaction in the UK

Timeline of key UK regulatory events

- 29 June 2010 – Plus500UK receives authorisation from the FSA
- 17 October 2012 – The FSA imposes a penalty of £205,128 on Plus500UK in respect of breaches of Chapter 17 of the FSA's Supervision manual and Principle 3 of the FSA's Principles for Businesses
- 24 July 2013 – Plus500 Ltd is admitted to trading on AIM
- 11 November 2013 – Plus500UK's CEO provides an attestation to the FCA in respect of Plus500UK's financial promotions compliance
- 2-3 April 2014 – The FSA Supervision Division conducts a visit to review Plus500UK's client due diligence processes
- 7 May 2014 – Letter from the FCA to Plus500UK providing detailed feedback from its visit on 2-3 April 2014, including in relation to enhancements to be made to Plus500UK's AML and financial sanctions systems and controls, governance and management oversight of AML

- 23 May 2014 – Plus500UK engages a "big four" advisory firm to review Plus500UK's AML and sanctions compliance framework in light of the letter dated 7 May 2014
- 18 June 2014 – The big four advisory firm provides Plus500UK with its recommendations following its AML and sanctions review
- 8-9 October 2014 – The FCA conducts a follow-up visit to Plus500UK to assess the progress of its remedial action in respect of AML controls
- 23 October 2014 – Meeting between the FCA and Plus500UK at which the FCA communicates its findings from its visit on 8-9 October 2014
- 30 October 2014 – Plus500UK provides First VREQ to the FCA
- 25-26 November 2014 – The FCA conducts a visit to Plus500UK to review Plus500UK's appropriateness test policy and discuss its best execution policy
- 9 December 2014 – Plus500UK instructs the big four advisory firm to develop a remedial plan to address the AML controls issues identified by the FCA during its visit on 8-9 October
- 9 January 2015 – The FCA issues Final Requirement Notice in respect of First Skilled Person's Review
- 16 February 2015 – Commencement of First Skilled Persons Review
- 16 February 2015 – The big four advisory firm issues a report in relation to AML remedial action
- March 2015 – Plus500UK engages the First Skilled Person to undertake a review of its client money arrangements
- 15 May 2015 – Plus500UK provides Second VREQ to the FCA
- 20 May 2015 – Issue of final report of First Skilled Persons Review
- June 2015 – Plus500UK appoints the Second Skilled Person to undertake the Second Skilled Person's Review
- June 2015 – Plus500UK engages the Second Skilled Person to conduct separate review of the way in which the business of Plus500UK is operated and develop a remediation plan
- 3 July 2015 – Issue of the final report of Second Skilled Persons Review
- 17 July 2015 – Plus500UK's CEO provides an attestation to the FCA in respect of Plus500UK's appropriateness testing compliance
- 16 September 2015 – Plus500UK's CEO provides an attestation to the FCA in respect of Plus500UK's financial promotions compliance
- November 2015 – Second Skilled Person provides remediation plan to Plus500UK
- 3 December 2015 – First and Second VREQ are removed from Plus500UK's permissions on the FCA register
- 6 January 2016 – on-boarding of customers based in the UK recommenced

On 2-3 April 2014, the FCA visited Plus500UK following the identification by the FCA's Supervision Division of potential deficiencies in Plus500UK's CDD processes. The FCA subsequently provided detailed written feedback to Plus500UK, including in relation to Plus500UK's AML and financial sanctions systems and controls, and governance and management oversight of AML. In view of the FCA's feedback, Plus500UK took action to implement enhancements to its AML and financial sanctions compliance framework. In October 2014, the FCA made a follow-up visit to Plus500UK, following which it communicated to Plus500UK that good progress has been made but there remained a need for significant further remedial work. In addition, as a result of concerns the FCA had identified relating to the timing of customer identity verification checks, at the request of the FCA, Plus500UK provided a VREQ to the FCA whereby Plus500UK would: (i) prohibit all account activity of existing customers; and (ii) not accept deposits from, or open accounts for, new customers, in each case until it had obtained and verified those customers' due diligence information in accordance with the MLR. In January 2015, the FCA conducted a further review of Plus500UK's AML and financial sanctions systems and other regulatory controls. As a result of the concerns the FCA had identified from its reviews, Plus500UK was also required by the FCA, under a requirement notice issued to Plus500UK pursuant to s.166 FSMA, to appoint a "skilled person" to conduct a review of the effectiveness of governance, management oversight, and the competence of senior management, in respect of AML systems and controls; the adequacy of the AML control framework; and the effectiveness of back-book remediation

On 15 May 2015, following a review by the skilled person which found that Plus500UK had breached the terms of the VREQ, at the request of the FCA, a second VREQ was entered into in terms substantially similar to the first VREQ, with the additional requirement that Plus500UK would not take on any new clients unless and until it had taken all necessary steps to ensure that: (i) its assessment of a client's appropriateness complied with COBS; and (ii) all future financial promotions issued and capable of having effect in the UK would be balanced, fair, clear and not misleading, and comply fully with COBS. The implementation of these enhanced client on boarding and AML processes, to be undertaken by Plus500UK, were announced on 18 May 2015 and a further clarification statement concerning the same was announced on 22 May 2015.

In connection with the second VREQ, Plus500UK implemented enhanced customer on-boarding and AML processes which necessitated additional documentation checks being performed on existing and new Plus500UK customer accounts. On-boarding of any new customers ceased pending the implementation of these new AML processes and procedures (including in relation to existing customer accounts). As a result, some Plus500UK customers experienced delays in: (i) receiving the necessary approval to open new accounts; and (ii) opening new trades on their existing accounts. Only Plus500UK was impacted and the Company continued to offer its services to new and existing customers through its subsidiary in Cyprus (including new customers from the UK). Those existing customers that were impacted were nevertheless able to freely close out open positions and to service their positions with additional margin although they were unable to otherwise deposit or withdraw funds. The majority of existing customers resumed trading with Plus500UK by the end of June 2015.

The FCA required Plus500UK to appoint a second skilled person pursuant to s.166 FSMA in order to assess the effectiveness of Plus500UK's remediation exercise. The FCA's key requirement was for the second skilled person to independently review a sample of all trades and other transactions carried out during the period of the second VREQ in order to ensure adequate CDD had been carried out for all relevant customers. The second skilled person's final report was issued in early July 2015. All of the sample trades and transactions reviewed by the second skilled person and addressed in its final report received satisfactory results. The overall conclusion of the report was that there was no indication that Plus500UK had breached its requirements under the second VREQ. The report made certain recommendations in respect of areas for further improvement identified in the review (each of which had already been addressed, or were being addresses as part of ongoing projects within Plus500UK).

These skilled persons reports, remediation exercises and other related actions resulted in one-off costs of approximately US$4.5 million and/or management time being expended by the Group. Following implementation of the remedial measures, the first and second VREQs were removed from the FCA register on 3 December 2015. Plus500UK recommenced the on-boarding of new customers based in the UK on 6 January 2016, notwithstanding that new written procedures had been completed a number of months beforehand. The Company considered it prudent to delay the resumption of customer on-boarding over this period. The Directors believe that the Company is now fully compliant with all applicable AML and CDD requirements but cannot guarantee that, in the future, other breaches will not occur or be deemed to have occurred.

The Group is subject to extensive regulation which may, from time to time, result in regulatory proceedings being brought against it. For example, on 17 October 2012, the FCA issued a final notice to Plus500UK and fined it £205,128 for regulatory failures relating to transaction reporting. In order to address such failures, Plus500UK implemented a training regime in relation to transaction reporting systems, engaged a compliance consultancy firm to assist with amending previous transactions which had been reported inaccurately to the FCA and began using a transaction reporting service offered by the London Stock Exchange. Plus500UK has since appointed a specialist external provider to oversee and prepare transaction reports on its behalf.

Further, in 2012, the FCA raised concerns that Plus500UK's customer terms breached certain provisions of Unfair Terms in Consumer Contracts Regulations 1999 and the FCA's Principles for Business in respect of treating customers fairly. Plus500UK has since made a number of changes to the terms of its customer agreement in order to address the FCA's concerns. The FCA has also in the past raised concerns regarding the lack of risk warnings on the Group's website and certain financial promotions.

Plus500UK has also undergone supervisory visits from the FCA in relation to other areas relating to the firm's compliance with its ongoing obligations under the FCA Rules, including in relation to financial promotions, treating customers fairly, order execution, client money, its website, and governance. In connection with these supervisory visits and in the course of its ongoing dialogue with the FCA, Plus500UK has engaged external specialists to review various aspects of its operations and support it in implementing enhancements to its compliance procedures. In particular, Plus500 has strengthened its procedures in the following ways:

Governance

- More robust and comprehensive management information is now provided to Plus500UK's board. Board meetings are minuted in greater detail, with actions being tracked to completion.
- Oversight of various processes is now conducted wholly by Plus500UK (for example in relation to complaints handling, KYC/CDD checks and the approval of financial promotions).

Best execution

- Plus500UK's order execution policy and its approach to its best execution obligations have been strengthened following Plus500UK's inclusion in the FCA's Best Execution Thematic Review in 2014.

Client money

- Enhancements to the client money procedures have been successfully implemented, following feedback from the FCA after supervisory visits in November 2015 and June 2016.

Financial promotions

- The UK financial promotions team has been significantly strengthened in terms of both numbers and expertise.
- Improvements have been made to the design, review and sign-off process for financial promotions.

Appropriateness testing

- Appropriateness testing procedures have been strengthened in order to be aligned with the FCA's expectations as stated in the "Dear CEO" letter sent to firms in the sector in February 2016.

The enhancements to Plus500UK's best execution, financial promotions and appropriateness testing procedures have been made following feedback from the FCA, including in a letter dated 3 July 2015 identifying specific areas for improvement. In connection with the second VREQ provided by Plus500UK in May 2015, the FCA also required Plus500UK's CEO to provide attestations in respect of Plus500UK's financial promotions and appropriateness testing compliance. On 10 October 2017, the FCA provided additional feedback to Plus500UK following a further review of its appropriateness testing procedures. Overall, the FCA was satisfied with Plus500UK's response to its review. The FCA also made a number of recommendations for further improvement, in light of which Plus500UK has since made enhancements to its appropriateness testing processes. In particular, the process for assessing a potential customer's knowledge and experience has been revised to use objective, quantitative response options in respect of the number of trades previously conducted by the applicant. Furthermore, the assessment process has been updated to ensure that a potential customer's professional experience and qualifications must be relevant to their understanding of the nature and risks of trading CFDs. In addition, applicants who fail the appropriateness assessment are unable to proceed immediately with their application by acknowledging a risk warning; instead, they are presented with additional screens, designed to: (i) slow down the application process; (ii) reinforce Plus500UK's assessment is that it is not appropriate for the applicant to have an account; and (iii) give the applicant an opportunity to withdraw from the process. These enhancements made in view of the FCA's feedback formed part of a broader redesign of Plus500UK's appropriateness testing procedures in connection with its implementation of the MiFID II legislation, in particular the requirements relating to the identification of the target market under the MiFID II product governance regime.

In September 2016, Plus500UK received a letter from the FCA setting out its findings following a Supervisory Review and Evaluation of Plus500UK's 2015 Internal Capital Adequacy Assessment Process.

In accordance with the FCA's findings, Plus500UK increased its Tier 1 Capital Resources through an issuance of paid up share capital.

In June 2017, Plus500UK received a visit from the FCA to discuss its procedures relating to best execution. The FCA visit was part of a wider sector review into best execution around times of known volatility. Following the visit, Plus500UK received an information requirement in relation to its best execution procedures from the FCA under s.165 FSMA. Plus500UK provided all the requested information to the FCA and, to date, has received no further feedback or communication from the FCA on this subject.

On 28 January 2018, Plus500UK received a letter from the FCA's Supervision Division raising a series of questions in relation to its offering in CFDs referenced to Bitcoin. The questions raised by the FCA's Supervision Division concerned changes made to overnight funding charges and the use of fixed-expiry contracts, both in respect of the closing months of 2017; the clarity of terminology used in communicating information to customers about the overnight funding charges; and Plus500UK's pricing practices in respect of CFDs referenced to Bitcoin. The Board of Plus500UK provided a detailed response to this letter on 6 February 2018.

On the same date, the FCA also sent Plus500UK a statutory information request under s.165 FSMA, requiring specified information to be provided by 9 February 2018 in respect of Plus500UK's provision of CFDs referenced to cryptocurrencies other than Bitcoin. The Board of Plus500UK provided a detailed response to this letter on 7 February 2018.

Regulatory fine in Belgium

In April 2016, the Belgian FSMA sent a letter to the Company (received on 3 May 2016) regarding the opening of an investigation for offering FX products and CFDs into the territory of Belgium without submitting a prospectus, as the Belgian FSMA stated was required under the legal framework of Belgium.

The Company announced on 25 April 2017 that it had reached a settlement with the Belgian FSMA for the amount of EUR550,000. The Company noted in an announcement on the matter that "The settlement does not amount to an admission of guilt on non-compliance by Plus500. Despite believing that it had introduced all necessary procedures to comply with the applicable legislation, Plus500 felt a settlement agreement was appropriate to respect the authority of FSMA and to reach a swift and final clearance of the jurisdictional process."

In addition to payment of the settlement sum, as part of the settlement the Company agreed: (i) to terminate all its Belgian clients' contracts without charge; and (ii) to close the www.plus500.be website and indicate on all other of the Group's websites that the trading instruments offered are not available to Belgian residents.

PART X

DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

1. DIRECTORS AND SENIOR MANAGEMENT OF THE GROUP

Directors and Senior Management

The Directors believe that the technological experience, entrepreneurship and in-depth industry knowledge of the Group's management team has been fundamental to the Group's successful positioning and growth. The Group's Senior Management has been key to delivering the growth of the Group's business. In particular, the management team's strong technical background in software programming and engineering, combined with their experience of online marketing and customer acquisitions has led to an emphasis on developing innovative, efficient technology which is accessible by, and attractive to, its customers. The Directors believe that, given the Group's proprietary technology and their marketing expertise, the Group's management team has the ability to achieve further growth of the business.

The Board of Directors

The Board comprises the following people:

Name	*Age*	*Position*
Penny Judd	54	*Non-Executive Chairman*
Asaf Elimelech	37	*Chief Executive Officer*
Gal Haber	43	*Managing Director*
Elad Even-Chen	32	*Group Chief Financial Officer*
Charles Fairbairn	56	*Senior Independent Non-Executive Director and External Director*
Daniel King	52	*Independent Non-Executive Director and External Director*
Steven Baldwin	49	*Independent Non-Executive Director*

The business address of each of the Directors is MATAM, Building 25, Haifa, 3190500, Israel.

The management expertise and experience of each of the Directors is set out below:

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

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

  Ms. Judd was until June 2016 managing director and EMEA Head of Compliance in Nomura International Plc. Ms. Judd was previously the managing director and EMEA Head of Compliance in UBS investment bank for nine years. She was a consultant to the London Investment Banking Association (now AFME) and a corporate finance executive in Cazenove & Co, as a senior member of the transactions team. Ms. Judd was previously the UKLA Head of Equity Markets for six years and has had significant experience of the requirements around the announcement of inside information and other requirements of the FCA. Ms. Judd also worked for ten years in KPMG as a corporate finance manager and auditor.

- Asaf Elimelech, *Chief Executive Officer*

  Asaf Elimelech is chief executive officer of the Company. He previously served as the CEO of Plus500AU Pty Ltd. and has worked for the Group for the last four years. 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, is meeting its strategic goals. Mr. Elimelech was appointed to the Board in February 2016.

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

- Gal Haber, *Managing Director*

  Gal Haber has nearly 18 years' experience in software programming and business development. One of the Founders, he currently holds the position of Managing Director of the Company, having previously held the position of Chief Executive Officer. Mr. Haber led the design of the user-friendly Trading Platform, which represents one of the key competitive advantages for the business.

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

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

  Elad Even-Chen is the Chief Financial Officer of the Group, Vice President of Business Development and Head of Investor Relations. Mr. Even-Chen's responsibilities cover a broad range of finance and business functions including managing the Group finance departments, and is responsible for the financial aspects of Plus500's company strategy and global business development projects. Mr. Even-Chen joined the Group in 2011 and was appointed to the Board on July 2016.

  Mr. 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. Mr. Even-Chen holds a B.A. in Accounting and Economics from Tel-Aviv University, a LL.B Degree from the College of Management and an MBA (specialising in Financial Management) from Tel-Aviv University.

- Charles Fairbairn, *Senior Independent Non-Executive Director and External Director*

  Charles Fairbairn is a non-executive Director, the senior independent director and chairman of the Audit Committee. Mr. Fairbairn has held similar positions for a number of 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.

  Mr. Fairbairn graduated from Durham University with a BA (Hons) in Economics in 1983 and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London in 1986. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc in 1990 as group accountant, group chief accountant and latterly finance director of Pearson New Entertainment, a start-up division. Over the following 19 years, since leaving Pearson New Entertainment in 1998, he has held a number of positions as finance director, executive and non-executive director of a portfolio of companies, helping to develop and scale growth companies from start-ups into global companies. Mr. Fairbairn is an active investor in growth companies and reviews new business and turnaround opportunities, exposing him to a multitude of sectors and business models. He also holds an investment management certificate.

- Daniel King, *Independent Non-Executive Director and External Director*

  Daniel King is a non-executive Director and chairman of the Remuneration Committee and Nomination Committee. Mr. 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.

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

  Mr King is also a non-executive director of several public and private companies and advises companies on their business model, growth strategies, and international expansion plans. He is a mentor and judge on London Business School's MBA Entrepreneurship Programme, and is also an advisor and mentor with technology incubator Seedcamp, (www.seedcamp.com) a programme aimed at bringing together next generation start-ups with entrepreneurs, business executives and venture capitalists.

- Steven Baldwin, *Non-Executive Director*

  Mr Baldwin is a non-executive Director. Mr Baldwin has an extensive corporate finance background and most recently held the position of Head of European Equity Capital Markets and Corporate Broking at Macquarie Capital until February 2015 when he decided to pursue a non-executive career. Prior to this Mr Baldwin was a Director at JP Morgan Cazenove for 10 years and was a Vice President of Corporate Finance at UBS from 1995 to 1998. He qualified as a Chartered Accountant at Coopers & Lybrand.

Senior Management

The Senior Management comprises the following (in addition to the executive Directors listed above):

Name	*Age*	*Position*
Omer Elazari	39	*Vice-President Research & Development*
David Zruia	34	*Chief Operating Officer*
Nir Zatz	36	*Chief Marketing Officer*
Mark Winton	48	*Chief Executive Officer, Plus500UK*
Ofir Chudin	32	*Chief Executive Officer, Plus500CY*
Sean Murphy	52	*Chief Executive Officer, Plus500AU*
Yevgeni Shtuckmeyster	33	*Chief Executive Officer, Plus500IL*
Alon Cohen Naznin	32	*Chief Executive Officer, Plus500BG*
Choh Tong Goh	57	*Chief Executive Officer, Plus500SG*
Nicholas Woolaway	43	*Chief Executive Officer, Plus500SA*

The business address of each of the Senior Managers is MATAM Building 25, I Haifa, 3190500, Israel, except for Mr. Winton, the Chief Executive Officer of Plus500UK, whose business address is 78 Cornhill, London EC3V 3QQ, England, Mr. Murphy, the Chief Executive Officer of Plus500AU, whose business address is Level 39, Australia Square Tower, 264-278 George Street, Sydney, NSW, Australia, Mr. Chudin, the Chief Executive Officer of Plus500CY, whose business address is 1, Siafi Street, Porto Bello Business & Cultural Centre, Business Suites 1 – 4, Office 104, CY-3042 Limassol, Mr. Shtuckmeyster, the Chief Executive Officer of Plus500IL, whose business address is 125 Menachem Begin St., Tel Aviv 67010, Israel, Mr. Cohen Naznin, the Chief Executive Officer of Plus500BG, whose business address is 90 Tsarigradsko Shose Blvd., fl. 14, Mladost residential area, 1784 Sofia, Bulgaria, Mr. Goh, the Chief Executive Officer of Plus500SG, whose business address is 1 Temasek Avenue, Millenia Tower #18-07, Singapore 039192 and Mr. Woolaway, the Chief Executive Officer of Plus500SA, whose business address is Floor 4, The Citadel, 15 Cavendish Street, Claremont, 7708, Cape Town, South Africa.

The management expertise and experience of each of the Senior Managers is set out below:

- Omer Elazari, *Vice-President Research & Development*

  Mr Elazari is responsible for designing and developing the Trading Platform.

  Prior to founding Plus500, he worked as a chief technology officer at Mevideo Ltd (an internet start-up company) and as a software developer engineer at Intel. He holds a B.Sc. in Information Systems from the Technion, Israel.

- David Zruia**,** *Chief Operating Officer*

  Mr. David Zruia is Chief Operating Officer of the Group.

  Mr. Zruia joined the Company in 2010 as head of the affiliate programme and he was appointed Chief Operating Officer of the Group in 2013. Mr Zruia is responsible for all operational aspects of the Group including back office systems, customer operations, customer support, anti-fraud procedures, customer retention and sales, payment processing, KYC processes, human resources and administration.

  Mr. Zruia holds a B.Sc. in Industrial Engineering and Management from the Technion, Israel.

- Nir Zatz, *Chief Marketing Officer*

  Mr. Zatz joined the Company in February 2016 as a Senior Analyst in the Marketing Department and was appointed Head of Marketing in January 2017 and subsequently as Chief Marketing Officer in January 2018. He is responsible for the Group's marketing activities, including its targeted online initiatives, the "500Affiliates" programme and various offline marketing initiatives (e.g. sponsorship). Prior to joining the Company, Mr. Zatz worked at Intel Corporation Ltd. for over eight years, where he last served as Global Monitoring Team Manager.

  Mr. Zatz holds a B.Sc. in Industrial Engineering and Management from the Technion, Israel.

- Mark Winton, *Chief Executive Officer, Plus500UK*

  Mr. Winton has worked in the financial services sector for over 22 years. Prior to joining Plus500UK in 2015, Mr Winton served as Head of Compliance at Alpari UK. Mr Winton also worked previously at London Capital Group Holdings plc, Astaire Securities, Goodman UK, CB Richard Ellis and Brown Shipley, primarily in senior risk management and compliance roles.

- Ofir Chudin, *Chief Executive Officer, Plus500CY*

  Mr Chudin joined Plus500CY in 2014 as Chief Executive Officer and head of Plus500CY's brokerage department. He is responsible for all aspects of the business, including legal, financial, marketing, compliance, human resource and conceptual development, as well as planning and implementing strategic business objectives.

  Prior to joining Plus500CY, Mr Chudin worked for three years as a corporate associate in a leading Israeli law firm.

  Mr Chudin has a Dual Bachelors in Business Administration and Law from The Interdisciplinary Center of Herzliya, Israel

- Sean Murphy, *Chief Executive Officer, Plus500AU*

  Mr. Murphy joined Plus500AU in October 2012, initially as a Director and "Responsible Manager" for ASK purposes. He was subsequently appointed Chief Executive of Plus500AU in February 2015. Mr. Murphy is responsible for the strategic, financial, risk management, human resources and regulatory aspects of Plus500AU.

  Prior to joining Plus500AU, Mr. Murphy worked for seven years as Head of FX Institutional Sales for Credit Agricole CIB in Hong Kong. Mr. Murphy has also worked as a Manager for FX Institutional Sales for the National Australia Bank in Sydney and Senior Vice President of Hedge Fund Sales at Refco in New York.

  Mr. Murphy holds a Master of Science MsC from Baruch College, City University of New York.

- Yevgeni Shtuckmeyster, *Chief Executive Officer, Plus500IL*

  Mr Shtuckmeyster joined Plus500IL in 2015 as Chief Executive Officer. He is responsible for all aspects of the Plus500IL business, including controlling and supervising its financial conduct and operational activities, implementing its regulatory requirements and designing and executing its operational working procedures.

  Prior to joining Pluss500IL, Mr Shtuckmeyster worked as a project controller at Alstom Israel Ltd and a financial controller at Sol-Gel Technologies Ltd. Mr. Shtuckmeyster started out his career at PwC Israel, where he was promoted to the role of Senior Associate.

  Mr. Shtuckmeyster holds a Bachelors in Accounting and Economics from Tel-Aviv University, Israel and a Masters in Real Estate from Technicon, Israel.

- Alon Cohen Naznin, *Chief Executive Officer, Plus500BG*

  Mr. Cohen Naznin joined Plus500BG in July 2016, as Chief Executive Officer. He is responsible for all aspects of the Plus500BG business, including controlling and supervising its financial conduct and operational activities and designing and executing its operational working procedures.

  Prior to joining Plus500BG, Mr. Cohen Naznin served as a Project Manager NPI Engineer at Mellanox Technologies Ltd. and as the Chairman of the Board of Michlol Company Ltd.

Mr. Cohen Naznin holds a B.Sc. in Industrial Engineering and Management at the Technion, Israel, where he also served as Vice Chairman of the Technion Student Union.

- Choh Tong Goh, *Chief Executive Officer, Plus500SG*

  Mr. Goh joined Plus500SG in 2017 as Chief Executive Officer. He has worked in the financial services sector for over 29 years.

  Prior to joining Plus500SG, Mr. Goh served as Chief Executive Officer and Chief Trainer of the Financial Services Training Institute Pte Ltd and as the Chief Operating Officer and Head of Compliance & Regulatory Affairs of Gain Capital Singapore Pte Ltd (previously known as City Index Asia Pte Ltd). Mr Goh also served as the Head of Japan Offshore/Global Private Client, Pacific Rim wealth management operations of Merrill Lynch International Bank Ltd and was a Senior Review Officer in the Securities Industry Department of MAS.

  Mr. Goh holds a Bachelors in Economics from Kyoto University, Japan and a diploma in Japanese language from Tokyo University of Foreign Studies, Japan.

- Nicholas Woolaway, *Chief Executive Officer, Plus500SA*

  Mr. Woolaway joined Plus500SA in 2017 as Chief Executive Officer.

  Prior to joining Plus500SA, Mr Woolaway served as Chief Operating Officer of Regarding Capital Management. In addition, Mr. Woolaway served for eight years in a number of roles at the London-based BlueCrest Capital Management, where his last position was Head of Product Control. Mr. Woolaway has also worked in various roles at UBS Investment Bank in London.

  Mr. Woolaway holds a Bachelor of Business Science (Business Finance and Financial Accounting) and a Post Graduate Diploma in Accounting, both from the University of Cape Town, South Africa and is also a Chartered Accountant and Chartered Financial Analyst (CFA) Charterholder in South Africa.

2. CORPORATE GOVERNANCE

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 cover 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
- appointments to the board.

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 meets at least six times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals.

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

UK Corporate Governance Code

With effect from Admission, as the Company will be listed on the premium listing segment of the Official List, it will be required to comply with corporate governance policies and practices consistent with the UK Corporate Governance Code or otherwise explain why it has not complied in its annual report and accounts.

The Board has considered the principles and recommendations set out in the UK Corporate Governance Code. As at the date of this Prospectus and at Admission, the Company does, and will, comply with the recommendations of the UK Corporate Governance Code.

The Company will report to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules. As an Israeli company, the Company also complies with the corporate governance provisions of the Companies Law.

The UK Corporate Governance Code recommends that, on appointment, the chairman of a company with a premium listing on the Official List should meet the independence criteria set out in the UK Corporate Governance Code. Since the Company's admission to AIM in July 2013, the roles of chairman and chief executive officer have been separate. The chairman is Penny Judd and the chief executive officer is Asaf Elimelech. The chairman will lead the Board and will ensure the effective engagement and contribution of all Non-Executive Directors and Executive Directors. The chief executive officer will have responsibility for all the Group's businesses and will act in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy, and operational management will be delegated to the chief executive and the other Executive Directors. The Board considers that the chairman meets the independence criteria set out in the UK Corporate Governance Code, and accordingly the Company is compliant with the UK Corporate Governance Code in this respect.

The UK Corporate Governance Code recommends that at least half of the members of the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, the director's judgment. As of the date of this Prospectus, the Board includes three (3) independent Non-Executive Directors, in addition to the Chairman. The Board considers each of the Non-Executive Directors to be independent for the purposes of the UK Governance Code. The Board considers that the Company is therefore compliant with the UK Corporate Governance Code in this respect.

Further, with effect from Admission (and for so long as the Ordinary Shares are so admitted), where the Company has, or is deemed to have, a Controlling Shareholder, the Company and the Board shall have full discretion to adhere to the provisions of the Listing Rules insofar as they relate to Controlling Shareholders, including proposing resolutions at general meetings which adhere to the dual voting requirements of the Listing Rules relating to (i) the proposed election or re-election of any independent Non-Executive Director, and (ii) any proposed cancellation of the Company's listing on the premium listing segment of the Official List.

The UK Corporate Governance Code also recommends that the board of directors of a company with a premium listing on the Official List should appoint one of the non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director should be available to shareholders if they have concerns which contact through the normal channels of the CEO has failed to resolve or for which such contact is inappropriate. Mr Fairbairn has been appointed as the senior independent director and has served in such role since the Company's admission to AIM in July 2013.

In addition, the UK Corporate Governance Code recommends the submission of all directors for re-election annually. As an Israeli company, the Company 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 currently Charles Fairbairn and Daniel King. These 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 UK Corporate Governance Code recommends.

The Board has established audit, nomination and remuneration committees (in accordance with the Companies Law) and also a disclosure committee and regulatory and risk committee with formally delegated duties and responsibilities and with written terms of reference that can be found on the Company's website (www.plus500.com). From time to time, other committees may be established by the Board to consider specific issues as they arise.

Audit Committee

The Audit Committee comprises Charles Fairbairn, Daniel King and Steven Baldwin, and is chaired by Mr. Fairbairn.

The Audit Committee has responsibility 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 are as follows:

- to monitor the integrity of the 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 auditors and on their remuneration; and
- to monitor 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 whistle-blower procedures.

The UK Corporate Governance Code recommends that an audit committee should comprise at least three members who are independent non-executive directors, and that at least one member should have recent and relevant financial experience. The Audit Committee will be chaired by Mr Fairbairn, and its other members will be Daniel King and Steven Baldwin. The Directors consider that Mr. Fairbairn has recent and relevant financial experience in accordance with the requirements of the UK Corporate Governance Code.

The Audit Committee is expected to meet formally at least four times a year and otherwise as required. Further meetings may be called as required. The internal and external auditors have the right to attend meetings. The relevant Executive Directors, the Company's legal advisers and other persons may, by invitation from the Audit Committee, attend meetings. At least once per year, the Audit Committee may, if it so requires, meet privately with the external auditors.

Nomination Committee

The Nomination Committee comprises Daniel King, Charles Fairbairn and Gal Haber, and is chaired by Mr. King. The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Board considers Mr. King and Mr. Fairbairn to be independent for the purposes of the UK Governance Code. The Board considers that the Company is therefore compliant with the UK Corporate Governance Code in this respect.

The Nomination Committee meets not less than twice a year and at such other times as required. The Nomination Committee has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. The other key governance mandates pursuant to the written terms of reference of the Nomination Committee 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 outside director 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 takes into account the challenges and opportunities facing the Group and what skills and expertise will therefore be needed on the Board in the future.

Remuneration Committee

The Remuneration Committee comprises Daniel King, Charles Fairbairn and Steven Baldwin, and is chaired by Mr. King.

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, the managing director, the chairman, the executive and non-executive directors, the company secretary and other senior executives. The other key governance mandates pursuant to the written terms of reference of the Remuneration Committee 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 and the chief executive 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, to give regard to the relevant legal and regulatory requirements, the provisions of the Companies Law, the provisions and recommendations of the UK Corporate Governance Code and associated guidance;
- to approve and determine the targets for any performance-related pay schemes operated by the Company; and
- to review the design of all share incentive plans for approval by the Board and (if required or deemed appropriate) the Shareholders.

In addition, in accordance with the Companies Law, the Remuneration Committee is required to review and approve a Remuneration Policy for Directors and executives, and recommend that the Board and Shareholders adopt such policy. The policy must be approved or ratified at least once every three years. The Company last amended the Remuneration Policy for Directors and executives in January 2018.

The UK Corporate Governance Code recommends that all members of the Remuneration Committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. No Director or manager may be involved in any discussions as to their own remuneration.

Disclosure Committee

The Company has established a Disclosure Committee chaired by Elad Even-Chen (the Chief Financial Officer). The other members are Charles Fairbairn (Senior Non-Executive Director) and Asaf Elimelech (the Chief Executive Officer). 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 MAR 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.

Regulatory and Risk Committee

The Company has established a Regulatory and Risk Committee chaired by Penny Judd (Chairman). The other members are Charles Fairbairn (Senior Non-Executive Director), Asaf Elimelech (the Chief Executive Officer) and Elad Even-Chen (the Chief Financial Officer). The Regulatory and Risk Committee receives presentations from management on risk, compliance and regulatory issues and reviews the related internal systems.

The Regulatory and Risk Committee meets not less than three times a year and otherwise as required. The Regulatory and Risk Committee has responsibility 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 when the Group is regulated and in other jurisdictions where the Group has a significant market presence. The Regulatory and Risk Committee also has responsibility for reviewing the Company's most significant risks to the achievement of strategic objectives, review of 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.

Internal Auditor

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

- a person who holds more than five per cent. 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 law 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. Deloitte Touche Tohmatsu Limited serves as the Company's internal auditor.

Relationship with Shareholders

The Company encourages the participation of both institutional and private investors. The Chief Executive Officer, Asaf Elimelech and the Group Chief Financial Officer, Mr. Elad Even-Chen, meet regularly with institutional investors, usually in regard to the issue of half and full year results. Communication with private individuals is maintained through the Annual General Meeting and the Company's annual and interim reports. The chairmen of the Company's audit, remuneration and nomination Committees are made available to answer questions at the Company's Annual General Meetings. In addition, further details on the strategy and performance of the Company can be found at its website (www.plus500.com), which includes copies of the Company's press releases. Regular updates are provided to the Board on meetings with shareholders and analysts, and broker's opinions are made available to the Board. Non-executive directors are available to meet major shareholders, if required. Investors are encouraged to contact the Company's Investor Relations team, at ir@Plus500.com.

MAR

The Company has taken all proper and reasonable steps to secure its compliance with the MAR. Such steps include the introduction of a code for dealing in securities applicable to relevant individuals and the monitoring of such individuals' compliance with that code.

Israeli law requirements

As an Israeli company, the Company also complies with the corporate governance provisions of the Companies Law. In accordance with the Companies Law, the Company must always have at least two External Directors. The External Directors must meet certain statutory requirements of independence. The Company's External Directors are currently Charles Fairbairn and Daniel King.

The term of office of an External Director is three years, which can be extended for two additional three year terms. Under the Companies Law, External Directors are elected by Shareholders and approval of the election of an External Director must satisfy either of two additional tests:

(a) the shares voted in favour of the election must include at least a majority of the shares voted by shareholders other than Companies Law Controllers or shareholders who have a Personal Interest in the election of the External Director (excluding a Personal Interest that is not related to a relationship with the Companies Law Controllers); or

(b) the total number of shares held by non-Companies Law Controllers and shareholders without a Personal Interest in the election of the External Director (excluding a Personal Interest that is not related to a relationship with the Companies Law Controllers) that voted against the election of the External Director must not exceed two per cent. of the aggregate voting rights of the Company.

Subject to the provisions of the Companies Law, an External Director can only be removed from office (without his consent) in one or more of the following circumstances:

(a) by a competent court which, upon the application of either the Company, a director, a shareholder or a creditor of the Company, orders termination of the office of that director because it has determined either that: (a) he is permanently unable to fulfil his functions; or (b) during his appointment he has been found guilty in a court outside of Israel of bribery, deceit, an offence of a manager of a corporate body or an offence involving the misuse of inside information;

(b) by a competent court which, upon the application of a director or shareholder of the Company, orders the termination of the office of that director because it has determined that he has ceased to fulfil one of the conditions required under the Companies Law for his appointment as an External Director or that he has breached his fiduciary duty to the Company; or

(c) by a shareholders' resolution passed by the same majority required for the appointment of an External Director provided that the Board has determined that either: (a) he no longer complies with the conditions set out by the Companies Law for the appointment of such a director; or (b) he has breached his fiduciary duty to the Company.

Any committee of the Board must include at least one External Director and the Audit Committee and Remuneration Committee must each include all of the External Directors (including one External Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit Committee and Remuneration Committee must comply with the director independence requirements prescribed by the Companies Law.

At least one of the External Directors must have "accounting and financial expertise" and any other External Director must have "accounting and financial expertise" or "professional qualification," as such terms are defined by regulations promulgated under the Companies Law.

Charles Fairbairn and Daniel King were re-elected as External Directors in May 2016 for a term of three years. In accordance with the Companies Law requirements, Charles Fairbairn and Daniel King serve as members of the Audit Committee and Remuneration Committee. Mr. Fairbairn serves as Chair of the Audit Committee and Mr. King serves as Chair of the Remuneration Committee. Mr. Fairbairn has "accounting and financial expertise" and Mr. King has "professional qualification," as such terms are defined by regulations provided under the Companies Law.

The Audit Committee and the Remuneration Committee may not include the chairman of the Board, or any director employed by the Company, by a Companies Law Controller or by any entity controlled by a Companies Law Controller, or any director providing services to the Company, to a Companies Law Controller or to any entity controlled by a Companies Law Controller on a regular basis, or any director whose income is primarily dependent on a Companies Law Controller, and may not include a Companies Law Controller or any relatives of a Companies Law Controller.

Individuals who are not permitted to be Audit Committee or Remuneration Committee members may not participate in the meeting of the committees other than to present a particular issue. However, an employee who is not a Companies Law Controller or relative may participate in the committee's discussions but not in any vote, and the Company's legal counsel and secretary may participate in the committee's discussions and attend the voting.

Conflicts of interest

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

Under the Companies Law, any transaction of the Company with a director or any transaction of the Company in which a director has a Personal Interest requires the approval of the Board. The transaction must not be approved if it is not in the Company's best interest. If the transaction is an extraordinary transaction (i.e. a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities), then Audit Committee approval is required in addition to Board approval. If the transaction concerns exculpation, indemnification, insurance or compensation of the director, then the approvals of the Remuneration Committee, the Board and the Shareholders by way of ordinary resolution are required (in that order). A director who has a Personal Interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a Personal Interest in the matter. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a Personal Interest in the transaction, the Shareholder 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 are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties.

PART XI

OPERATING AND FINANCIAL REVIEW OF THE GROUP

The following discussion of the financial condition and results of operations of the Group as at and for the years ended 31 December 2015, 2016 and 2017 should be read in conjunction with the Historical Financial Information set out in Part XIII – Historical Financial Information of this document and the information relating to the Group's business included elsewhere in this Prospectus. This review contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those included in these forward-looking statements as a result of certain factors. See Part II – Risk Factors, Part III – Important Information – General and Part III – Presentation of Financial Information for a discussion of important factors that could cause the Group's actual results to differ materially from the forward-looking statements contained herein.

Overview

Plus500 has developed and operates, within the CFD sector, an online and mobile trading platform (the "**Trading Platform**") enabling its international retail customer base to trade CFDs on over 2,200 underlying financial instruments. Through the Trading Platform, the Group currently offers CFDs referenced to equities, indices, commodities, options, ETFs, cryptocurrencies and foreign exchange, to its retail customers located in over 50 countries. The Group offers all of its financial instruments under the "Plus500" brand name.

Since its inception in 2008, the Group has experienced rapid growth. New Customers increased by 19,574 from 84,858 in 2015 to 104,432 in 2016 and by 142,514 from 104,432 in 2016 to 246,946 in 2017. In line with this growth, Active Customers also increased by 19,416 from 136,540 in 2015 to 155,956 in 2016 and by 161,219 from 155,956 in 2016 to 317,175 in 2017. In the year ended 31 December 2017, the Group had 317,175 Active Customers who had traded during the year, conducting over 37.5 million trades on the Trading Platform.

In the year ended 31 December 2017, the Group generated revenue of US$437.2 million and EBITDA of US$259.2 million compared to revenue of US$327.9 million and EBITDA of US$151 million in the year ended 31 December 2016 and revenue of US$275.6 million and EBITDA of US$132.9 million in the year ended 31 December 2015.

The Group generates the vast majority of its revenues from the dealing spreads on the Trading Platform; in addition, the Group generates revenues from overnight charges on certain positions held by customers overnight and gains (offset by losses) on customers' trading positions. Its revenues are largely dependent on the overall number of Active Customers registered at any given time and the overall trading volume processed by the Group. In 2017, approximately 89 per cent. of the Group's revenue was generated from the dealing spread charged on its trades, approximately 11 per cent. was generated from overnight charges and there were no net revenues from mark-to-market profit and loss. For more information on the three revenue streams please refer to section 4 of Part VII (*Information on the Group*).

In the year ended 31 December 2017, approximately 76 per cent. of the Group's revenue derived from customers in Europe, approximately 5 per cent. from customers in Australia and approximately 18 per cent. from the Rest of the World (including New Zealand, South Africa, Israel and Singapore). The country which generated the largest amount of revenue for the Group in 2017 (the UK) accounted for approximately 16 per cent. of total revenues.

The Directors believe that the success of the Group to date is attributable to its intuitive, user-friendly and localised Trading Platform; its proprietary, highly effective marketing system and its timely expansion into active CFD markets in various jurisdictions.

In July 2013, the Group was admitted for trading on AIM, achieving a market capitalisation of approximately US$200 million. The current market capitalisation of the Group is now approximately US$2,455 million (approximately £1,854 million) and the Directors believe that a move to the Main Market of the London Stock Exchange is a more appropriate platform for the continued growth of the Group at this stage in its development.

Key Performance Indicators

The Directors monitor the Group's performance against its objectives and the financial performance of its operations through a number of key performance indicators ("**KPIs**") on a regular basis. In particular, the Directors use these KPIs to benchmark revenue generation as well as costs and model the Group's marketing budget to maximise efficiency and returns on investment. The following table sets out the Group's KPIs and provides more detail about their purpose and the basis of their calculation.

	For the year ended 31 December		
	2015	*2016*	*2017*
Number of New Customers[1]	84,858	104,432	246,946
Number of Active Customers[2]	136,540	155,956	317,175
Average Revenue Per User (ARPU)[3]	2,019	2,103	1,379
Average User Acquisition Cost (AUAC)[4]	1,227	1,195	474

1 The Group defines a 'New Customer' as a customer who has deposited real money into his or her own account for the first time in the relevant financial period.

2 The Group defines an 'Active Customer' as a customer who makes at least one trade using real money on the Trading Platform in the relevant period.

3 'Average Revenue Per User' is calculated by dividing the Group's total trading income by the number of Active Customers in the relevant financial period.

4 'Average User Acquisition Cost' which is calculated by dividing the total marketing expenses by the number of New Customers in the relevant financial period.

EBITDA

Another metric followed by the Directors of the Group in assessing the Group's financial performance is EBITDA (which represents profit (loss) before interest income (expense), taxes, depreciation and amortisation). EBITDA is not a measure of financial performance under IFRS. This measure, when viewed with the Group's IFRS financial statements, provides additional information with respect to factors and trends affecting the Group's results of operations. The presentation of this supplemental information is not meant to be considered in isolation or as a substitute for EBITDA and measures of financial performance reported in accordance with IFRS. The following table sets out a reconciliation of the Group's income from operations to EBITDA for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
		(US$ in thousands)	
Income from operations	132,482	150,518	258,504
Add (subtract):			
Depreciation and amortisation	283	479	694
Loss on disposal of property, plant and equipment	109	–	–
EBITDA	132,874	150,997	259,198

Significant Factors affecting Results of Operations

Customer activity and product demand

Demand for the Group's CFD offering can vary due to factors outside of the Group's control. Periods of high volatility in financial markets can increase customer demand for the Group's CFD offering (although high volatility can also expose the Group to increased trading loss risk). Conversely, in periods of low market volatility, customer activity can decrease due to a perceived lack of attractive trading opportunities for customers. Additional factors outside of the Group's control, such as decreases in the disposable income of the Group's customers and other broad economic or political factors could result in lower customer activity as well.

The Group's results of operations largely depend on customer activity and the demand for the Group's CFD offering. In the year ended 31 December 2017, spreads (i.e., the difference between the bid and ask price on its CFD offering) constituted 89 per cent. of the Group's revenue. Although individual spreads for a CFD instrument tend to be small in absolute terms, the large notional value of trades made by the Group's customers results in substantial revenue for the Group.

The table below sets out the number of customer transactions for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
Number of customer transactions	25,468,998	36,160,725	37,523,796

New Customers and Active Customers

The Group's revenue depends on the number of New Customers that the Group is able to attract and retain or reactivate to Active Customers in the event that customers cease trading.

The following table sets out the number of Active Customers by geographic region during the periods under review:

	For the year ended 31 December		
	2015	*2016*	*2017*
Europe	118,361	129,169	243,168
Australia	5,162	6,423	38,994
Others	13,017	20,364	35,013
Total	136,540	155,956	317,175

The following table sets out the number of New Customers by geographic region during the periods under review:

	For the year ended 31 December		
	2015	*2016*	*2017*
Europe	73,045	83,777	184,221
Australia	3,983	4,571	36,578
Others	7,830	16,084	26,147
Total	84,858	104,432	246,946

In line with the growth of New Customers, the number of Active Customers also increased year-on-year in the periods under review. The Group's Active Customers increased by approximately 14 per cent. from 136,540 in 2015 to 155,956 in 2016 and by approximately 103 per cent. from 155,956 in 2016 to 317,175 in 2017. The Directors believe that the Company's increased profile and brand awareness following the IPO in July 2013 was central to the increase in both New Customer and Active Customers in 2014 compared to 2013.

Average cost and revenue per employee

To monitor the effectiveness of its cost structure, the Group measures costs incurred and revenues generated by reference to the number of employees and contractors and these metrics significantly affect the Group's operations.

The Group determines its average cost per employee by dividing all costs incurred in respect of employees and contractors (for example, salaries or bonuses paid in the form of share appreciation rights) in any given period by the total number of employees and contractors in the relevant period. The following table sets out the Group's average cost per employee for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
		(US$ in thousands)	
Average cost per employee	107	90	89.5

The Group's average cost per employee decreased by approximately 16 per cent. from US$107,000 in 2015 to US$90,000 in 2016 as staff were recruited in lower cost territories, primarily Bulgaria. The Group's average cost per employee decreased by approximately 1 per cent. to US$89,517 in 2017. This was due to the Group's lean cost structure strategy.

The Group determines its average revenue per employee by dividing total trading income generated in any given period by the total number of employees in the same period. The following table sets out the Group's average revenue per employee for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
	(US$ in thousands)		
Average revenue per employee	2,439	1,532	1,360

The Group's average revenue per employee decreased by approximately 37 per cent. to US$1.5 million in 2016 from US$2.4 million in 2015 due to the establishment of an in-house operational support subsidiary during 2016. The Group's average revenue per employee decreased by approximately 11 per cent. to US$1.36 million in 2017 from US$1.5 million in 2016. This was due to a substantial increase in recruitments of operational employees that mainly derived from the setting up of an in house operational services function.

Selling and Marketing

The Group devotes significant resources to attracting New Customers to open accounts and trade. The Group uses its own website, emails, social media channels and third-party websites (such as search engines) to promote its offering and services to existing customers and prospects. The Group also engages in targeted off-line marketing in more traditional media channels such as financial press and television and sponsorships. In 2015, the Group significantly upgraded offline marketing through its sponsorship agreement with the Spanish football club, Club Atlético de Madrid ("**Atlético Madrid**"), to promote Plus500's brand and became the official main sponsor of Atlético Madrid. The Group has since extended its sponsorship agreement entitling it to advertise and promote itself as the main sponsor of Atlético Madrid for the 2018/2019, 2019/2020 and 2020/2021 seasons. In addition, in December 2016, the Company entered into a partnership agreement with the Brumbies, the Australian professional rugby union football team, to be the official sponsor of the Brumbies for the 2017/2018 season. In November 2017, the Company renewed its partnership with the Brumbies for the 2018/2019, 2019/2020 and 2020/2021 seasons.

The Directors believe that the Group's marketing policy and initiatives have been a key driver of its growth. The Directors therefore believe that the Group's investment in marketing has been a significant factor which has affected its operations.

The following table shows the Group's selling and marketing expenses for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
	(US$ in thousands)		
Selling and marketing expenses	125,413	157,277	156,001

The Group's selling and marketing expenses increased by 25 per cent. from US$125.4 million in 2015 to US$157.3 million in 2016 and decreased by only 1 per cent. from 2016 to US$156.0 million in 2017. The Directors believe that the increase in selling and marketing expenditure between the years ended 31 December 2015 and 2017 significantly contributed to the Group's revenue growth in the same period.

Technological capabilities

The Directors believe that the Group's success has been, and will continue to be, attributable in significant part to its technology. For example, the Group's ability to attract and retain customers, as well as the types of instruments that the Group can offer, depends on the usability and reliability of its systems. In addition, the Directors believe that the Group's profitability is attributable in part to the efficiency of its trade processing technology.

The Directors also believe that the Group's research and development capabilities have significantly contributed to the Group's success. For example, Plus500 develops software internally (at no third party expense), as well as acquiring software from third parties, which enables it to offer its customers unique software products. The Group is also constantly updating and introducing new financial instruments to its supported portfolio to meet customer demand across the geographies in which its offering is available.

Competition

The Groups' profitability depends on its ability to offer its instruments at competitive spreads. In addition, the Group competes with other market participants not only in respect of spreads and its offerings, but also in other areas such as the speed, capacity and attractiveness of its Trading Platform.

Regulatory changes and influence

The jurisdictions in which the Group derives the majority of its income (the EEA and Australia) are highly regulated. Applicable regulations largely influence the type of offerings the Group may offer customers and consequently have a significant effect on the Group's revenue and profitability. The Group's business is subject to direct and indirect regulation by a variety of regulators in these jurisdictions, and the Directors believe the Group's business will be subject to additional regulation in the future. For example, the Group may be subject to the proposed FTT and new rules relating to required levels of regulatory capital. The Group is required to meet capital adequacy tests in these jurisdictions to ensure that it has sufficient capital to mitigate risks from market movements.

In order to ensure regulatory compliance, the Group has invested and expects to continue to invest in its legal and compliance functions. As discussed in more detail in Part IX (*Regulatory Information*), the Group undertook a significant regulatory review with the FCA in 2015 to strengthen its client on-boarding procedures and the Group's operations and compliance personnel increased from 61 employees in 2015 to 310 employees in 2017, which has had a corresponding increase in the Group's operating expenses in the periods under review. The Directors believe that additional regulation or changes in rules promulgated by the various authorities and regulators that oversee the Group's business are likely to increase the Group's compliance costs over the short and medium-term.

Transaction/Processing Costs

A significant number of the Group's customers use credit cards and alternative payment methods such as PayPal to fund their trading activities. Under commission arrangements with credit card providers and alternative payment providers, the Group is required to pay transaction/processing fees. In the years ended 31 December 2015, 2016 and 2017, transaction and processing costs from customers constituted US$10.7 million, US$14.3 million and US$16.9 million of the Group's trading income, respectively. As the volume of credit card transactions and transactions funded through alternative payment methods has significantly increased, the Group has been able to obtain better terms of trade with credit companies and alternative payment providers and the associated fees have therefore decreased as a proportion of the Group's expenses.

Foreign exchange fluctuations

Fluctuations in exchange rates can affect the results of operations of the Group. The Group reports revenue in US dollars, although it generates significant revenue in the Euro, Sterling, Australian Dollars and the NIS. The currency in which the Group generates revenue depends mainly on the determination of the instrument that is traded.

Critical Accounting Policies and Estimates

The Group's discussion and analysis of its financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with IFRS. Financial results are sensitive to the accounting methods, assumptions and estimates that underlie the preparation of financial statements generally. The Group makes estimates based on historical experience and on various other assumptions, which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and may be affected by different assumptions or conditions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The Directors believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Group's consolidated financial statements.

Revenue recognition

The Group generates its trading revenue from dealing spreads charged on trades executed with customers, overnight charges levied on open customer positions and net gains from its trading activity.

The Group's recognises revenue when it is probable that economic benefits associated with a transaction will flow to the Group and the revenue can be reliably measured. The Group carries open customer positions at fair market value and gains and losses arising on this valuation are recognised in revenue (as well as actual gains and losses realised on positions that have closed).

Intellectual property

As part of the Group research and development activities, Plus500 develops software internally as well as acquiring software from third parties.

Computer software licenses acquired by the Group are capitalised on the basis of the costs incurred to acquire and bring to use the specific software licenses. These costs are amortised over their estimated useful lives (3-5 years) using the "straight line" method. Any costs associated with maintaining computer software programs are recognised as an expense incurred.

Costs that are directly associated with the development of identifiable and unique software products controlled and used by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

If the above conditions are met, computer software development costs recognised as assets are amortised over their estimated useful lives (3-5 years) using the "straight line" method commencing at the point in time when the asset is available for use.

Description of key line items

Trading income

Revenues generated from the Group's operating activities are classified as trading income and consist of two primary elements:

- a dealing spread which is charged on all trades made on the Group's Trading Platform; and
- an overnight charge levied on certain positions held overnight.

The Group also generates minimal net gains/losses on trading positions entered into with its customers.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses comprise "Selling and marketing expenses" and "General and administrative expenses". Selling and marketing expenses include, among other items, advertising expenses, commissions to third parties who facilitate the Group's marketing to prospective and existing customers through the Affiliates Programme and commissions paid to processing companies (e.g., credit card providers for customers using credit card payments for transactions). General and administrative expenses include, among other items, professional advisory, legal and regulatory fees paid by the Group.

Net financial expenses

The consolidated financial statements of the Group are presented in US$, which is the Group's functional and presentation currency. Foreign currency transactions in currencies other than US$ are translated into US$ using the exchange rates prevailing at the date of such transactions (or valuation, where items are re-measured). Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are attributed to income or loss. Gains and losses arising from fluctuations in exchange rates are presented in the consolidated financial statement as "financial income" and "financial expenses".

Income tax expense

The tax expense of the Group is current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in equity.

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

Consolidated Results of Operations

The following table sets out the Group's consolidated results of operations for each of the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
		(US$ in thousands)	
Trading Income	275,651	327,927	437,238
Selling, General and Administrative Expenses:			
Selling and marketing	125,413	157,277	156,001
Administrative and general	17,647	20,132	22,733
Loss on disposal of property, plant and equipment	109	–	–
Income from operations	132,482	150,518	258,504
Financial income	178	3,624	3,242
Financial expenses	4,776	2,160	8,388
Financial income (expenses) – net	(4,598)	1,464	(5,146)
Income before taxes on income	127,884	151,982	253,358
Taxes on income	31,317	34,740	53,683
Profit and comprehensive income for the period	96,567	117,242	199,675

Year ended 31 December 2017 compared to year ended 31 December 2016

Trading income

In the year ended 31 December 2017, the Group's trading income increased by 33 per cent. to US$437.2 million from US$327.9 million in the year ended 31 December 2016. The increase in trading income was due to an increase in client trading activity, increased brand recognition of Plus500's international brand and due to the increased amount of New and Active Customers. In 2017, New Customers increased by 136 per cent. to 246,946 from 104,432 in 2016. Transaction activity increased from 36,160,725 in 2016 to 37,523,796 in 2017 and the number of Active Customers increased by 103 per cent. to 317,175 in 2017 as compared to 155,956 in 2016. The Directors believe that the growth was driven by increase in client trading activity.

This growth was slightly offset by a decrease in ARPU, which decreased by 34 per cent. to US$1,379 in 2017 compared to US$2,103 in 2016. The principal reason for this was an increase in the number of New Customers acquired during the financial year ended 31 December 2017 and particularly in the final quarter of 2017 (largely as the result of an increase in the interest in CFDs referenced to cryptocurrencies which provided significant momentum to New Customer sign ups) who therefore only started trading in the latter end of that year and consequently contributed relatively modest revenues which had the effect of diluting the ARPU for the year.

Selling, general and administrative expenses

The following table sets out the selling, general and administrative expenses incurred by the Group for the periods indicated:

	For the year ended 31 December	
	2016	*2017*
	(US$ in thousands)	
Selling and marketing expenses	157,277	156,001
General and administrative expenses	20,132	22,733
Total	177,409	178,734

In the year ended 31 December 2017, the Group's selling and marketing expenses decreased by 1 per cent. to US$156.0 million from US$157.3 million in the year ended 31 December 2016. This decrease was primarily due to a lean cost structure. The interest in cryptocurrencies provided significant momentum to New Customer sign ups and therefore resulted in the Group's marketing spend being much more efficient, especially in the latter part of 2017, substantially reducing the average for the year as a whole. The Group's general and administrative expenses increased in 2017 by 13 per cent. to US$22.7 million from US$20.1 million in 2016. The principal reason for this was operational growth.

Net financial expenses

In the year ended 31 December 2017, the Group's net financial expenses were US$5.1 million, compared to net financial income of US$1.5 million in the year ended 31 December 2016. The consolidated financial statements of the Group are presented in US dollars, which is the Group's functional and presentation currency. The change in net financial expenses was primarily attributable to foreign exchange movements between the GBP/US dollar and Euro/US dollar.

	2017/2016	*2016/2015*
GBP/USD	10%	-17%
EUR/USD	14%	-3%

Income tax expense

In the year ended 31 December 2017, the Group's income tax expense was US$53.7 million, compared to income tax expense of US$34.7 million in the year ended 31 December 2016. This was attributable to increased pre-tax Income.

Year ended 31 December 2016 compared to year ended 31 December 2015

Trading income

In the year ended 31 December 2016, the Group's trading income increased by 19 per cent. to US$327.9 million from US$275.6 million in the year ended 31 December 2015. The Directors believe that the increase in trading income was as a result of the scalability of the Company's business model, with the combination of an efficient online-focused customer acquisition strategy. In 2016, the number of New Customers increased by 23.1 per cent. to 104,432 compared to 84,858 New Customers in 2015. Transaction activity increased by 42 per cent. to 36.2 million in 2016 from 25.5 million in 2015 and the numbers of Active Customers increased by 14.2 per cent. to 155,956 in 2016 from 136,540 in 2015. ARPU was US$2,103 in 2016, compared to US$2,019 in 2015.

The Directors believe that the increase in revenue recorded during 2016 was due primarily to more high value customers.

Selling, general and administrative expenses

The following table sets out the selling, general and administrative expenses incurred by the Group for the periods indicated:

	For the year ended 31 December	
	2015	*2016*
	(US$ in thousands)	
Selling and marketing expenses	125,413	157,277
General and administrative expenses	17,647	20,132
Total	143,060	177,409

In the year ended 31 December 2016, the Group's selling, general and administrative expenses increased by 24 per cent. to US$177.4 million from US$143 million in the year ended 31 December 2015. This increase was primarily due to the increase in marketing expenses as part of the Group's revenue growth. The Group's general and administrative expenses also increased in 2016, growing by 14 per cent. to US$20.1 million from US$17.6 million. This increase was primarily due to the revaluation of the fair value of the share appreciation rights allocation which was estimated using the restricted stock units option pricing model. Of the total liability at fair value of US$2.3 million and US$0.6 million for the years ended 31 December 2016 and 31 December 2015 respectively, the Group recognised expenses within its general and administrative expenses, in relation to the grant of these share appreciation rights, at amounts of US$1.1 million for the year ended 31 December 2016 and US$0.4 million for the year ended 31 December 2015. In addition, the Group recognised expenses within its selling and marketing expenses, in relation to the grant of these share appreciation rights, at amounts of US$1.4 million for the year ended 31 December 2016 and nil for the year ended 31 December 2015.

Net financial expenses

In the year ended 31 December 2016, the Group's net financial income was US$1.5 million compared to US$4.6 million net financial expenses in the year ended 31 December 2015. This increase was primarily attributable to foreign exchange and translation differences, and represents an efficient financial performance in light of the significant foreign exchange volatility which occurred in 2016.

Income tax expense

In the year ended 31 December 2016, the Group's income tax expense was US$34.7 million compared to income tax expense of US$31.3 million in the year ended 31 December 2015. This increase correlates with the increase in income before taxes on income and set off by a decrease in the Group's theoretical tax rate during 2016 from 26.5 per cent. to 25 per cent.

Liquidity and Capital Resources

The Group requires cash to fund its operations and as well as to comply with capital adequacy requirements in the jurisdictions where it is regulated. The Group's principal uses of cash have been for working capital and the payment of dividends to shareholders. To date, the Group has financed its operations primarily from cash flows from its operations.

Liquidity

As at 31 December 2015, 31 December 2016 and 31 December 2017, the Group had cash and cash equivalents of US$156.5 million, US$136.5 million and US$241.9 million, respectively, held in the following currencies:

	As at 31 December 2015	*As at 31 December 2016*	*As at 31 December 2017*
US$	118,445	120,253	208,684
EURO	41,751	43,338	91,781
GBP	16,299	10,995	33,624
AUD	13,470	11,050	38,163
NIS	3,505	6,683	9,390
Other	2,798	6,530	17,777
Gross cash and cash equivalents	196,268	198,849	399,419
Less: segregated client funds	(39,771)	(62,368)	(157,565)
Own cash and cash equivalents	156,497	136,481	241,854

Cash flows

The following table sets out cash flows of the Group for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
	(US$ in thousands)		
Net cash provided by operating activities	85,475	108,907	211,978
Net cash provided by (used in) investing activities	18	(2,205)	(1,024)
Net cash provided by (used in) financing activities	(65,005)	(123,264)	(109,748)
Net increase (decreased) in cash and cash equivalents	20,488	(16,562)	101,206
Balance of cash and cash equivalents at beginning of period	139,164	156,497	136,481
(Losses)/gains from exchange differences on cash and cash equivalents	(3,155)	(3,454)	4,167
Cash and cash equivalents at the end of the period	156,497	136,481	241,854

Net cash flows provided by operating activities

The Group generated net cash flow from operating activities of US$85.5 million, US$109.0 million and US$212.0 million in the years ended 31 December 2015, 2016 and 2017, respectively. The 27.4 per cent. increase in cash from operating activities in 2016 compared to 2015 was primarily attributable to operational growth. The 95 per cent. increase in cash from operating activities in 2017 compared to 2016 was primarily attributable to operational growth.

Net cash used in investing activities

The Group generated net cash from investing activities of US$0.018 million and incurred losses from investing activities of US$2.2 million and US$1.0 million in the years ended 31 December 2015, 2016 and 2017, respectively. The Group's net cash used in investing activities has primarily consisted of property, plant and equipment. The substantial increase in cash used in investing activities in 2016 as compared to 2015 was primarily the result of property, plant and equipment. The decrease in net cash used by the Group in investing activities in 2017 as compared to 2016 was primarily the result of decrease in property, plant and equipment.

Net cash used in financing activities

Net cash used in the Group's financing activities was US$65.0 million, US$123.3 million and US$109.7 million in the years ended 31 December 2015, 2016 and 2017, respectively. The Group's financing activities principally comprise paying dividends to its Shareholders. The increase in cash used in financing activities in 2016 as compared to 2015 was primarily due to the increased dividend paid to equity holders of the Group. The decrease in cash used by the Group in financing activities in 2017 as compared to 2016 was due to less dividends paid out in 2017.

Capital expenditure and investments

The following table sets out the Group's capital expenditure for the periods indicated:

	For the year ended 31 December		
	2015	*2016*	*2017*
		(US$ in thousands)	
Computers and office equipment	421	366	238
Leasehold improvements	398	1,539	355
Total	819	1,905	593

The Group's total net capital expenditure increased from US$0.82 million to US$1.9 million in 2016 and decreased in 2017 to US$0.6. The increase in expenditure in 2016 was primarily due to leasehold improvements and the decrease in 2017 was primarily as a result of less capital expenditure.

Quantitative and Qualitative Disclosures about Market Risk

Market risk

The Directors classify market risk as the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. The Directors view market risk as the highest risk which the Group faces. The Group differentiates market risk into market price risk and foreign currency risk, as described below.

The Group's market risk is managed on a group-wide basis and exposure to market risk at any point in time depends primarily on short-term market conditions and the levels of customer 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 customer exposures are hedged and the Group may have a substantial net position in any of the financial markets in which offers CFDs.

The Group's market risk policy incorporates a methodology for setting market position limits, consistent with the Group's risk appetite, for each financial instrument in which the Group's customers can trade, as well as certain markets which the Regulatory and Risk Committee considers to be correlated. These market position limits are determined based on the customer trading levels, market volatility and the liquidity of the underlying financial instrument or asset class and represent the maximum long and short customer exposure that the Group will hold without hedging the net customer exposure.

The Group's real-time market position monitoring system allows it to continually monitor its market exposure against these limits. If exposures exceed these limits, the Group either hedges, or new customer positions are rejected. There is a significant level of 'natural' hedging that arises from the Group's global customer base as individual customers pursue varying trading strategies in respect of the same instrument or asset class. This "portfolio hedging effect" reduces the Group's net market exposure. Where the Group has a net market exposure in an instrument, the Group limits exposure in accordance with its hedging and trading limit triggers.

The Group's exposure to market risk at any point in time depends primarily on short-term market conditions and customer 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.

Market price risk

The Directors classify market price risk as the risk that the fair value of a financial instrument may fluctuate as a result of changes in market prices other than due to the effect of currency or interest rate risks. The Group incurs market price risk as a result of its trading activities (CFDs on foreign exchange, stocks, indices, options, commodities, cryptocurrencies and ETFs), which are hedged as part of the overall market risk management. The Group monitors its market price risk on a group-wide basis.

Exposure limits are set by the Regulatory and Risk Committee for each instrument and asset class where it is considered that their price movements are likely to be positively correlated.

In the years ended 31 December 2015, 2016 and 2017, the highest profit, as to the closed positions, per trading day recorded by the Group was US$5.7 million, US$7.9 million and US$10.48 million, respectively.

In the years ended 31 December 2015, 2016 and 2017, the highest loss, as to the closed positions recorded by the Group, per trading day was US$0.7 million, US$2.6 million and US$4.07 million, respectively.

In the years ended 31 December 2015, 2016 and 2017, as to the closed positions, the Group recorded 337,312 and 313 profitable trading days, respectively.

Currency risk

Transactional currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity, being the US dollar. The Group faces such transaction exposures in the normal course of business.

The Group manages currency risk on a group-wide basis, monitoring transactional foreign currency risks such as the currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and trades on foreign currencies. Nevertheless, the Group does not consider its currency risk to be material as many of the underlying instruments are denominated in US dollars and the Group transfers transactions denominated in currencies other than US dollars to US dollars as soon as practicable.

At 31 December 2017, if the US dollar had strengthened by 1 per cent. against the Euro with all other variables unchanged, the Group's exposure in respect of balances denominated in Euro on income after taxes would have been US$332,000 (2016: US$64,000)if the US dollar had strengthened by 1 per cent. against Australian Dollar with all other variables unchanged, the Group's exposure in respect of balances denominated in Australian Dollars on income after taxes would have been US$273,000 (2016: US$54,000).

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, customers cannot owe the Group funds when losing more than they have in their accounts.

Customer 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, customer 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 exposure are managed by monitoring all customer positions on a real-time basis. If customer funds are below the required margin level, customer positions are liquidated (margin call).

In the financial year ended 31 December 2017, 12 banks (Barclays Bank plc, Bank Leumi, Credit Suisse AG, Commonwealth Bank of Australia, Westpac Banking Corporation, UBS, BGL BNP-Paribas, National Australia Bank, Banco Santander SA, ANZ Banking Group Ltd, Bank of Cyprus Public Company Ltd and Societe Generale SA) held approximately 90 per cent. of the Company's cash and cash equivalents, credit cards, client funds and deposits. The Company's largest credit exposure to any single bank as of 31 December 2017 was approximately US$98.4 million (which represented approximately 25 per cent. of its exposure to all banks).

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. The Group manages its liquidity risk centrally 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 they come due, under both normal circumstances and stressed conditions. The Group does not have any material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as a result of the Group adopting what it considers to be best industry practice in placing all retail customer funds in segregated customer money accounts. A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high customer activity or significant increases in global financial market levels. The contractual maturity of the Group's financial liabilities is up to two months.

Concentration Risk

The Group defines concentration risk as a risk exposure which constitutes sufficient loss potential to threaten the solvency or financial position of the Group. In the judgment of the Directors, such exposures may be caused by credit risk, market risk, liquidity risk or combination of any of them. Trading income from customers in the United Kingdom constituted approximately US$68.6 million or approximately 16 per cent. of the Group's trading income in 2017.

Capital management

The Company's subsidiary Plus500UK is supervised by the FCA. Plus500UK manages its capital resources on the basis of regulatory capital requirements under Pillar 1 and its own assessment of capital required to support all material risks throughout the business (Pillar 2). Plus500UK manages its regulatory capital through an internal capital adequacy assessment process in accordance with rules and guidelines issued by the FCA. Under this process, Plus500UK is satisfied when there is either sufficient capital to absorb potential losses or there are mitigating controls in place which make the likelihood of the risk of losses occurring remote.

Both the minimum regulatory capital requirement and the Pillar 2 assessment are compared with total available regulatory capital on a daily basis and monitored by the management of the Company. As of 31 December 2017, Plus500UK had £24.3 million of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) of £6.9 million and the internally measured capital requirement (Pillar 2) of £17.7 million.

The Company's Cyprus incorporated subsidiary, Plus500CY is regulated by the CySEC. Plus500CY manages its capital resources on the basis of regulatory capital requirements (Pillar 1) and its own assessment of capital required to support all material risks to the business (Pillar 2). Plus500CY manages its regulatory capital through an internal capital adequacy assessment process in accordance with rules and guidelines issued by the CySEC.

Plus500CY monitors its Pillar 1 capital requirement regularly to ensure that its capital position remains above the minimum regulatory thresholds. As of 31 December 2017, Plus500CY's own funds were €52.8 million and the Capital Adequacy Ratio was 17.16 per cent.

The Company's Australian incorporated subsidiary, Plus500AU, is regulated by ASIC and manages its capital resources on the basis of regulatory capital requirements and its own assessment of the capital required to support all material risks. Plus500AU manages its capital through its Net Tangible Assets (NTA) assessment in accordance with rules and guidelines issued by ASIC which require that it has NTA of the greater of AU$1 million and 10 per cent. of its average revenue, with at least 50 per cent. held in cash or cash equivalents and at least 50 per cent. held in liquid assets. As at 31 December 2017, Plus500AU held NTA of AU$13.8 million (2016: AU$9.0 million) which was in excess of its regulatory capital NTA requirement of AU$2.5 million (2016: AU$2.1 million). Holdings of cash or cash equivalents and liquid assets were well in excess of the percentage requirements in both years.

The Company's Israeli incorporated subsidiary, Plus500IL, is regulated by the ISA. Plus500IL manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. Plus500IL manages its regulatory capital through an internal capital adequacy assessment process in accordance with the regulations and guidelines of the ISA.

Plus500IL monitors its capital requirement regularly to ensure that its capital position remains above the minimum regulatory thresholds. As of 31 December 2017, Plus500IL's capital was US$3.8 million, which exceeded the minimum regulatory capital prescribed by the ISA regulations of US$1.5 million.

The Company's Singapore incorporated subsidiary, Plus500SG, is regulated by the MAS and Enterprise Singapore. Plus500SG manages its capital resources on the basis of regulatory capital requirements and its own assessment of the capital required to support all material risks. Plus500SG manages its regulatory capital through an internal capital adequacy assessment process in accordance with rules and guidelines issued by the MAS and Enterprise Singapore. As at 31 December 2017, Plus500SG had an issued and paid up share capital of SGD2,001,000, which is in excess of its regulatory capital requirements.

Fair value estimation

Financial derivative open positions (offset from deposits from customers within "Trade payables due to customers") are measured at fair value through profit or loss using valuation techniques. These valuation techniques are based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., 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 to determine the fair value the said instruments are observable, relevant instruments are included in level 2. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

Current Trading and Prospects

Since 31 December 2017, the Group has continued to see growth across its key financial measures. The very strong start of Q1 2018, which was referred to in the Company's preliminary announcement of 14 February 2018 and the trading update of 1 May 2018, and its continued strong trading in Q2 2018, which was reported in the Company's trading update of 7 June 2018, mainly resulted from a period of relative volatility in the markets and high levels of trading in the Company's cryptocurrency CFDs offering. The Board believes that these factors encouraged high levels of New Customer sign ups and therefore record trading in Q1 2018. While market conditions have returned to more normal levels in Q2 2018, trading has nevertheless been materially ahead of management expectations.

In the three month period ended 31 March 2018, the Group made good progress across its areas of strategic focus. The Company published the following unaudited financial information on 1 May 2018:

- Record revenues and earnings:
  - Q1 2018 revenues were US$297.3 million, an increase of 284 per cent. compared to the three month period ended 31 March 2017 (Q1 2017: US$77.5 million);
  - EBITDA margin has continued to be strong, resulting in an EBITDA of US$237.3 million for the period, an increase of 418 per cent. compared to the three month period ended 31 March 2017 (Q1 2017: US$45.8 million);
  - Q1 2018 revenues represented 68 per cent. of the total revenues for the financial year ended 31 December 2017 (2017: US$437.2 million);
  - Q1 EBITDA revenues represented over 90 per cent. of the total EBITDA for the financial year ended 31 December 2017 (2017: US$259.2 million); and
  - Q1 2018 revenues were over 120 per cent. higher than the previous record quarter.
- Operational key performance indicators:
  - 218,187 Active Customers, a 204 per cent. increase compared to Q1 2017 (Q1 2017: 71,827);
  - 72,960 New Customers, a 228 per cent. increased compared to Q1 2017 (Q1 2017: 22,210) reflecting the Group's competitive advantage to react quickly to dynamic market developments, and market volatility;
  - AUAC decreased by 45 per cent. from US$907 in Q1 2017 to US$502 in Q1 2018 due to continued efficiency in marketing spend; and

- ARPU increased by 26 per cent. from US$1,080 in Q1 2017 to US$1,363 in Q1 2018 due to an increased level of customers' activity.

- Continued expansion of global presence with a new Commodity Broker's Licence issued to Plus500SG in Singapore and the grant of a Financial Services Provider Licence to Plus500SA in South Africa.

The increase in revenues was derived from the significant increase in New and Active Customers. As referred above, there was significant customer growth in the fourth quarter of the financial year ended 31 December 2017, which continued into the three month period ended 31 March 2018, thereby contributing more fully to the Group's revenues. ARPU benefitted from these same trends and from relatively volatile markets which encouraged trading activity.

The decrease in AUAC reflected interest in cryptocurrencies as in the fourth quarter of the financial year ended 31 December 2017. Since the end of February 2018, this interest has subsided. There have also been revised policies for marketing activity through certain online channels that may reduce customer acquisition. The Company expects both of these to result in a return to AUAC and customer sign-ups at more normal levels.

While it remains difficult to fully assess the impact of the ESMA measures on the Group's performance until they are implemented on 1 August 2018, the Company believes that ESMA's final measures will have an effect on the Group's financial performance in that the rate of growth in the Group's revenue from its clients in the EEA may not be as high as it would have been if the ESMA measures had not been introduced, but this has been factored into the Group's performance expectations for the current financial year. Similarly, the Group's performance could also be impacted by the rate at which customers request to be reclassified, and are accepted, as elective professional clients.

The Company believes that this can be mitigated by providing those of its customers in the EEA that wish to trade on higher margin, the option of applying for an EPC account, such application being subject to approval by the Company and the customer meeting the relevant regulatory requirements (including the guidance on client categorisation issued by ESMA in its Investor Protection Q&As). This mitigating factor has also been identified by several of the Group's competitors. Plus500UK and Plus500CY began evaluating their customer bases regarding EPC status in February 2018 and consider that across the Group 12 per cent. of its customers in the EEA may be eligible for EPC status. Given that this 12 per cent. generate in aggregate approximately 75 per cent. of the revenue at EEA level, the Board believes that the Group is in a strong position to maintain revenue from those customers given its EPC offering. As such, the Group's performance could be further impacted by the rate at which these customers opt to be reclassified as professional investors.

PART XII

CAPITALISATION AND INDEBTEDNESS

1. CAPITALISATION

The table below outlines the Group's total capitalisation as of 31 December 2017:

	As at 31 December 2017 *(US$'000)*
Shareholders' equity [1]	15,001
Share capital	317
Share premium	22,220
Treasury shares	(7,536)
Total capitalisation	15,001

Notes:

1. Shareholders' equity does not include the profit and loss account reserve.
2. This statement of capitalisation has been prepared under IFRS using policies which are consistent with those used in preparing the Group's historical financial information set out in Part XIII (*Historical Financial Information*).
3. The Group has no current debt or non-current debt as at 31 December 2017.
4. This statement of capitalisation has been extracted without material adjustment from the Group's historical financial information set out in Part XIII (*Historical Financial Information*).

There has been no material change to the Group's total capitalisation since 31 December 2017.

Total capitalisation above does not include retained earnings, which amounted to US$210,926 thousands as of 31 December 2017.

2. INDEBTEDNESS

The table below sets out the indebtedness of the Group as of 30 April 2018:

	As at 30 April 2018 *(US$'000)*
Cash and cash equivalents [2,3]	424,117
Liquidity	424,117
Net current financial indebtedness	–
Net financial indebtedness	–

Notes:

1. This statement of net financial indebtedness has been prepared under IFRS using policies which are consistent with those used in preparing the Group's historical financial information set out in Part XIII (*Historical Financial Information*).
2. The cash and cash equivalents balance does not include restricted deposits.
3. The Group's cash and cash equivalents position does not include US$119,022 thousands of segregated client funds.
4. The Group has no indirect or contingent indebtedness as at 30 April 2018.

There has been no material change to the consolidated Group's total indebtedness since 30 April 2018.

PART XIII

HISTORICAL FINANCIAL INFORMATION

PART A: 2017 FINANCIAL STATEMENTS

The following is the text of the independent auditors' report on the Group from its statutory financial statements for the two years ended 31 December 2017.

References to other sections and page numbers of the 2017 Annual Report and Accounts should be disregarded for the purposes of this Prospectus.

REPORT OF THE AUDITORS

To the shareholders of
Plus500 Ltd.

We have audited the accompanying consolidated statements of financial position of Plus500 Ltd. (hereafter – the Company) as of 31 December 2017 and 2016, and the related consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years in the period ended 31 December 2017. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for each of the two years in the period ended 31 December 2017, in accordance with International Financial Reporting Standards (IFRS).

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As of 31 December 2017	2016
		U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	10a	241,854	136,481
Short-term bank deposit		228	37
Restricted deposits	8	422	356
Accounts receivable	10b	7,696	9,690
Income tax receivable	7	17,190	4,147
		267,390	150,711
NON–CURRENT ASSETS:			
Long term restricted deposit	8	289	102
Property, plant and equipment, net	4	3,367	3,429
Intangible assets, net	5	84	113
Deferred income taxes	7	490	353
		4,230	3,997
Total assets		271,620	154,708
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Trade payables – due to clients	10c	4,482	1,588
Other accounts payable and accruals:	10d		
Service suppliers		22,614	5,827
Other		12,108	7,083
Income tax payable	7	2,318	1,912
Share-based compensation	9	4,171	2,298
		45,693	18,708
EQUITY:			
Ordinary shares		317	317
Share premium	6	22,220	22,220
Treasury shares		(7,536)	–
Retained earnings		210,926	113,463
Total equity		225,927	136,000
Total equity and liabilities		271,620	154,708

Asaf Elimelech
Chief Executive Officer

Elad Even-Chen
Group Chief Financial Officer

Penny Judd
Non-Executive Director and Chairman

Date of approval of the annual financial information by the Company's Board of Directors:
19 March 2018

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	*Year Ended 31 December* 2017	2016
		U.S. dollars in thousands	
TRADING INCOME		437,238	327,927
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:			
Selling and marketing	11a	156,001	157,277
Administrative and general	11b	22,733	20,132
INCOME FROM OPERATIONS		258,504	150,518
Financial income		3,242	3,624
Financial expenses		8,388	2,160
FINANCING INCOME (EXPENSES) – net		(5,146)	1,464
INCOME BEFORE TAXES ON INCOME		253,358	151,982
TAXES ON INCOME	7	53,683	34,740
PROFIT FOR THE YEAR		199,675	117,242
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		199,675	117,242
		In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	15	1.75	1.02

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	*Share premium*	*Treasury shares*	*Retained earnings*	*Total*
			U.S. dollars in thousands		
BALANCE AT 1 JANUARY 2016	317	22,220		95,117	117,654
Profit and comprehensive income for the year				117,242	117,242
TRANSACTION WITH SHAREHOLDERS –					
Dividend				(98,896)	(98,896)
BALANCE AT 31 DECEMBER 2016	317	22,220	–	113,463	136,000
Profit and comprehensive income for the year				199,675	199,675
TRANSACTION WITH SHAREHOLDERS –					
Dividend				(102,212)	(102,212)
Acquisition of treasury shares			(7,536)		(7,536)
BALANCE AT 31 DECEMBER 2017	317	22,220	(7,536)	210,926	225,927

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended 31 December 2017	2016
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	278,683	153,294
Income tax paid – net	(66,514)	(44,548)
Interest (paid) received, net	(191)	161
Net cash provided by operating activities	211,978	108,907
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of deposits	(218)	–
Purchase of restricted deposits	(203)	(253)
Purchase of property, plant and equipment	(593)	(1,905)
Purchase of intangible assets	(10)	(47)
Net cash used in investing activities	(1,024)	(2,205)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid to equity holders of the Company	(102,212)	(123,264)
Acquisition of treasury shares	(7,536)	–
Net cash used in financing activities	(109,748)	(123,264)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	101,206	(16,562)
Balance of cash and cash equivalents at beginning of year	136,481	156,497
Gains (Losses) from exchange differences on cash and cash equivalents	4,167	(3,454)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	241,854	136,481

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

APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	Year Ended 31 December 2017	2016
	U.S. dollars in thousands	
Cash generated from operations –		
Net income for the period	199,675	117,242
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortization	694	479
Taxes on income	53,683	34,740
Interest and foreign exchange (gains) losses on operating activities	(3,942)	2,942
	50,435	38,161
Operating changes in working capital:		
Decrease in accounts receivable	1,994	71
Increase in trade payables-due to clients	2,894	69
Increase (decrease) in other accounts payable:		
Service suppliers	16,787	(7,564)
Other	2,326	3,603
Liability for share-based compensation	5,472	2,544
Settlement of share-based compensation	(900)	(832)
	28,573	(2,109)
Cash flows from operating activities	278,683	153,294

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

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

Plus500 Ltd. (hereafter – the Company) was established in 2008 in Israel as a private limited company with the name Investsoft Ltd. On 18 June 2012 the Company changed its name to Plus500 Ltd. The Company has developed a trading platform for private clients, enabling trading on contracts for differences (hereafter – CFD) on shares, indices, commodities, ETFs, options, cryptocurrencies and foreign exchange.

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

The company established the following subsidiaries:

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

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

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

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

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

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation

The Group's financial information as of 31 December 2017 and 2016 and for each of the two years for the period ended on 31 December 2017 are in compliance with International Financial Reporting Standards that consist of standards and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information has been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Principles of consolidation:

The Company controls the subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them.

(1) The consolidated financial statements include the accounts of the Company and its subsidiaries.

(2) Intercompany balances and transactions between the Group's entities have been eliminated.

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

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

As stated in note 1 above, the Group operates in one operating segment: CFD trading.

d. Foreign currency translation:

(1) ***Functional and Presentation Currency***

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

(2) ***Transactions and balances***

Foreign currency transactions in currencies different from the functional currency (hereafter – "foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Gains and losses arising from changes in exchange rates are presented in the statement of comprehensive income among "financial income (expenses)".

e. Property, plant and equipment

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

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

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

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

Leasehold improvements are amortized by the straight-line method over the terms of the lease (ten years) which is shorter than the asset's useful life.

The asset's residual values, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f. Intangible Assets – computer software

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

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

g. Financial instruments:

(1) ***Classification***

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Group management determines the classification of its financial assets at initial recognition.

(a) *Financial instruments at fair value through profit or loss*

This category includes financial assets and financial liabilities held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if designated by management in this category. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group's financial instruments at fair value through profit or loss comprise 'Financial derivative open positions' offset from, or presented with, 'Customer deposits, net' within 'Trade payables – due to clients' (see note 2j) in the consolidated statements of financial position.

(b) *Loans and receivables*

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

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

(2) ***Recognition and measurement***

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

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the consolidated statements of comprehensive income within 'Trading income' in the period in which they arise.

A financial instrument is derecognized when the contract that gives rise to it is settled, sold, cancelled or expires.

(3) ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other highly liquid short–term investments, the original maturity of which does not exceed three months.

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

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

i. Other accounts payable

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

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

j. Trade payables – due to clients

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

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

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

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

k. Share-based compensation

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

l. Employee benefits and Pension Obligations

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

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

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

m. Trading income

Trading income is recognized when it is probable that economic benefits associated with the transaction will flow to the Group and the income can be reliably measured.

Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities, cryptocurrencies and foreign exchange. Open client positions are carried at fair value and gains and losses arising on this valuation are recognized as trading income, as well as gains and losses realized on positions that have closed.

Trading income is reported gross of commissions to agents as the Group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers.

n. Dividends

Dividend distribution is recognized as a liability in the Group's statement of financial position on the date on which the dividends are approved by the Group's Board of Directors.

o. Current income tax

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

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

p. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction.

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

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

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

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

q. Leases

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

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

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

a. *IAS 7 Disclosure Initiative – Amendments to IAS 7*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group adopted the amendment prospectively.

b. *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments*

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

c. *IFRS 2 Classification and Measurement of Share based Payment Transactions – Amendment to IFRS 2:*

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

- The effects of vesting conditions and non-vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations

- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.

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

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

a. *IFRS 9 – "Financial Instruments" (hereafter – IFRS 9).*

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018 with the practical expedients permitted under the standard. Comparatives will not be restated. The Group estimates that there will be no material impact in the application of IFRS 9 on its financial statements.

b. *IFRS 15– "Revenue from Contracts with Customers" (hereafter- IFRS 15).*

Upon first-time adoption, IFRS 15 will replace existing IFRS guidance on revenue recognition.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a single model for revenue recognition, in which an entity recognizes revenue in accordance with that core principle by applying the following five steps:

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

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

The standard extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

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

c. *IFRS 16 – "Leases" (hereafter – IFRS 16)*

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

NOTE 3 – FINANCIAL RISK MANAGEMENT:

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

The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

a. Market risk

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

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

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

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

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

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

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

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

1. ***Market price risk***

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

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

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

   Daily profit on closed positions:

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

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

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

2. ***Foreign currency risk***

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

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

   At 31 December 2017, if the U.S. dollar had strengthened by 1 per cent. against Euro with all other variables unchanged the exposure in respect of balance denominated in Euro on income after taxes is \$ 332 thousand (2016: \$ 64 thousand); if the U.S dollar had strengthened by 1 per cent. against Australian Dollar with all other variables unchanged the exposure in respect of balance denominated in Australian Dollar on income after taxes is \$ 273 thousand (2016: \$ 54 thousand).

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

b. Credit risk

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

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

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

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

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

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

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

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

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

* The financial institutions were rated by the same third party

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

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

c. Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks (see note 13).

d. Liquidity risk

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

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

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

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

e. Capital Management:

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

   Both Pillar 1 and Pillar 2 assessments are compared with total available regulatory capital on a daily basis and monitored by the management of the Group. As of 31 December 2017 and 2016, the UK Subsidiary had £ 24,326 thousands and £ 16,436 thousands, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

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

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

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

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

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

4. The SG Subsidiary is regulated by MAS. The SG Subsidiary manages its capital resources on the basis of regulatory capital requirements and its own assessment of capital required to support all material risks. The SG Subsidiary manages its capital in accordance with rules and guidelines implemented by MAS. As at 31 December 2017, the SG Subsidiary held regulated capital of approximately SGD 2,000 thousands of regulatory capital, which is in excess of its MAS requirements.

5. 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 2017 and 2016, the IL Subsidiary held regulated capital of $3,838 thousands and $3,202 thousands, respectively, of regulatory capital, which is in excess of its ISA requirements.

f. Fair value estimation

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

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

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

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT:

a. Composition of assets, grouped by major classifications and changes therein in 2017 is as follows:

	Cost			*Accumulated depreciation*			*Depreciated balance As of 31 December 2017 U.S. dollars in thousands*
	Balance at beginning of year	*Additions during the year*	*Balance at end of the year*	*Balance at beginning of year*	*Additions during the year*	*Balance at end of the year*	
	U.S. dollars in thousands						
Computers and office equipment	1,053	238	1,291	518	259	777	514
Leasehold improvements	3,372	355	3,727	478	396	874	2,853
	4,425	593	5,018	996	655	1,651	3,367

b. Composition of assets, grouped by major classifications and changes therein in 2016 is as follows:

	Cost			*Accumulated depreciation*			*Depreciated balance As of 31 December 2016 U.S. dollars in thousands*
	Balance at beginning of year	*Additions during the year*	*Balance at end of the year*	*Balance at beginning of year*	*Additions during the year*	*Balance at end of the year*	
	U.S. dollars in thousands						
Computers and office Equipment	687	366	1,053	292	226	518	535
Leasehold improvements	1,833	1,539	3,372	251	227	478	2,894
	2,520	1,905	4,425	543	453	996	3,429

NOTE 5 – INTANGIBLE ASSETS

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

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

NOTE 6 – SHARE CAPITAL

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

	Number of shares 31 December 2017	2016
Authorized	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377
Less treasury shares*	980,146	–
Outstanding shares	113,908,231	114,888,377

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

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

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

NOTE 7 – TAXES ON INCOME:

a. Corporate taxation in Israel

Under the "Tax Burden Distribution Law", corporate tax rate is 25 per cent. as from 2012.

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

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

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

b. Corporate taxation in subsidiaries

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

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

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

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

c. Deferred tax asset

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

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

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

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

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

e. Reconciliation of the theoretical tax expense

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

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

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

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

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

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 to 2013 may be extended to cover 2014-2017 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014-2017, management expects at this stage that the new legislation will not apply to tax years preceding 2018.

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

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

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

NOTE 8 – RESTRICTED DEPOSITS

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

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

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

NOTE 9 – SHARE-BASED COMPENSATION

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

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

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

The rights represent the total amount of grant divided by the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the dates of grant (hereafter – the share price on grant date).

As of the end of each period, the fair value of the rights is calculated by the number of rights, as calculated on grant date, multiplied by the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the end of each period (or the payout date) divided by the share price on grant date.

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

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

Grant date	*Settlement date*	*Share price on grant date (GBP)*	*Grant rights*
14 January 2014	14 January 2016	260.19	1,149
16 July 2014	16 July 2016	524.30	33
19 December 2014	19 December 2016	499.80	200
1 January 2015	1 January 2017	522.94	894
3 January 2016	3 January 2018	388.81	3,122
17 April 2016	17 April 2018	563.25	41
30 December 2016	30 December 2018	541.21	3,722
31 December 2017	31 December 2019	943.23	3,321

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

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

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

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

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

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

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

NOTE 10 – SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION INFORMATION:

a. Cash and cash equivalents

Cash and cash equivalents by currency of denomination

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

b. Accounts receivable

	31 December	
	2017	*2016*
	U.S. dollars in thousands	
Prepaid expenses	6,434	6,235
Other	1,262	3,455
	7,696	9,690

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

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

c. Trade payables – due to clients

	31 December 2017	31 December 2016
	U.S. dollars in thousands	
Customers deposits, net*	162,047	63,956
Segregated client funds	(157,565)	(62,368)
	4,482	1,588

* Customers deposits, net are comprised of the following:

	2017	2016
Customers deposits	188,401	83,580
Less-financial derivative open positions:		
Gross amount of assets	(45,694)	(25,902)
Gross amount of liabilities	19,340	6,278
	162,047	63,956

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

d. Other accounts payable and accruals:

1. ***Service suppliers***

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

2. ***Other***

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

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

NOTE 11 – SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION:

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

NOTE 12 – RELATED PARTIES

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

Key management personnel of the Company include five founding shareholders: one of those shareholders is a Director.

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

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

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

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

NOTE 13 – ENTERPRISE WIDE DISCLOSURES

The Company is domiciled in Israel. Trading income and non-current assets from Israeli customers are not material.

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

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

NOTE 14 – COMMITMENTS

a. On 28 April 2014 the Company signed a lease contract (hereafter –the contract) with a third party for the lease of 1,360 square meter offices in Haifa, Israel.

According to the contract, the lease is for 60 months and the Company has an option to shorten the lease period to 36 months with a payment of NIS 337 thousands plus VAT.

On 30 June 2015 and on 11 November 2015 the Company signed two additional lease contracts to the contract (hereafter – the additional contract), for the lease of additional 730 square meters and 804 square meters, respectively. According to the additional contract terms, the additional lease is for the same period as the contract.

The rental payments are linked to the Israeli CPI.

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

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

b. The Company and Club Atlético de Madrid, S.A.D. (hereafter – Atlético Madrid) entered into a sponsorship agreement on 3 October 2017 under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2018/19, 2019/20 and 2020/21 seasons.

c. The Company and Brumbies Rugby, the Australian professional rugby union team (hereafter – the Brumbies) entered into a sponsorship agreement on 1 October 2017 under which the Company is entitled to advertise and promote itself as the official sponsor of the Brumbies for three seasons between 1 January 2018 to 31 December 2020.

NOTE 15 – EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2017	*2016*
Profit attributable to equity holders of the Company (In U.S dollars)	199,675,000	117,242,000
Weighted average number of ordinary shares in issue*	114,420,058	114,888,377

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

NOTE 16 – SUBSEQUENT EVENTS:

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

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

PART B: 2016 FINANCIAL STATEMENTS

The following is the text of the independent auditors' report on the Group from its statutory financial statements for the two years ended 31 December 2016.

References to other sections and page numbers of the 2016 Annual Report and Accounts should be disregarded for the purposes of this Prospectus.

REPORT OF THE AUDITORS

To the shareholders of
Plus500 Ltd.

We have audited the accompanying consolidated statements of financial position of Plus500 Ltd. (hereafter – the Company) as of 31 December 2016 and 2015, and the related consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years in the period ended 31 December 2016. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for each of the two years in the period ended 31 December 2016, in accordance with International Financial Reporting Standards (IFRS).

Haifa, Israel
6 March 2017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	*As of 31 December* 2016	2015
		U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	10a	136,481	156,497
Short-term bank deposit		37	38
Restricted deposits	8	356	181
Accounts receivable	10b	9,690	9,761
Income tax receivable	7	4,147	227
		150,711	166,704
NON-CURRENT ASSETS:			
Long term restricted deposit	8	102	24
Property, plant and equipment, net	4	3,429	1,977
Intangible assets, net	5	113	92
Deferred income taxes	7	353	173
		3,997	2,266
Total assets		154,708	168,970
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Trade payables – due to clients	10c	1,588	1,519
Other accounts payable and accruals:	10d		
Service supplies		5,827	13,391
Other		7,083	3,480
Income tax payable	7	1,912	7,972
Share-based compensation	9	2,298	372
Dividend	6	–	24,368
		18,708	51,102
NON-CURRENT LIABILITIES –			
Share-based compensation	9	–	214
EQUITY:			
Ordinary shares		317	317
Share premium		22,220	22,220
Retained earnings		113,463	95,117
Total equity		136,000	117,654
Total equity and liabilities		154,708	168,970

Asaf Elimelech
Chief Executive Officer

Elad Even-Chen
Group Chief Financial Officer

Alastair Neil Gordon
Non-Executive Director and Chairman

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	Share premium	Retained earnings	Total
		U.S. dollars in thousands		
BALANCE AT 1 JANUARY 2015	317	22,220	87,923	110,460
Profit and comprehensive income for the year			96,567	96,567
TRANSACTION WITH SHAREHOLDERS –				
Dividend			(89,373)	(89,373)
BALANCE AT 31 DECEMBER 2015	317	22,220	95,117	117,654
Profit and comprehensive income for the year			117,242	117,242
TRANSACTION WITH SHAREHOLDERS –				
Dividend			(98,896)	(98,896)
BALANCE AT 31 DECEMBER 2016	317	22,220	113,463	136,000

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	Year ended 31 December 2016	2015
	U.S. dollars in thousands	
Cash generated from operations –		
Net income for the period	117,242	96,567
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortization	479	283
Loss on disposal of property, plant and equipment	–	109
Taxes on income	34,740	31,317
Interest and foreign exchange losses on operating activities	2,942	2,927
	38,161	34,636
Operating changes in working capital:		
Decrease (increase) in accounts receivable	71	(5,834)
Increase (decrease) in trade payables-due to clients	69	(4,366)
Increase (decrease) in other accounts payable:		
Service supplies	(7,564)	5,560
Other	3,603	1,098
Liability for share-based compensation	2,544	417
Settlement of share-based compensation	(832)	–
	(2,109)	(3,125)
Cash flows from operating activities	153,294	128,078

APPENDIX B: non-cash transactions –

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

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

Plus500 Ltd. (hereafter – the Company) was established in 2008 in Israel as a private limited company with the name Investsoft Ltd. On 18 June 2012 the Company changed its name to Plus500 Ltd. The Company has developed a trading platform for private clients, enabling trading on contracts for differences (hereafter – CFD) on shares, indices, commodities, ETFs, options and foreign exchange.

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

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

Plus500AU Pty Ltd (hereafter – AU Subsidiary or Plus500AU) is a subsidiary of the Company with its main office located in Sydney, Australia. Plus500AU has an Australian Securities and Investments Commission ("ASIC") license, a license from the New Zealand regulator, the Financial Markets Authority ("FMA") and a license from the South African regulatory ("FASB") (see note 16).

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

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation

The Group's financial information as of 31 December 2016 and 2015 and for each of the two years for the period ended on 31 December 2016 are in compliance with International Financial Reporting Standards that consist of standards and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information has been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Principles of consolidation:

The Company controls the subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them.

(1) The consolidated financial statements include the accounts of the Company and its subsidiaries.

(2) Intercompany balances and transactions between the Group's entities have been eliminated.

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

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. As stated in note 1 above, the Group operates in one operating segment: CFD trading.

d. Foreign currency translation:

(1) ***Functional and Presentation Currency***

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

(2) ***Transactions and balances***

Foreign currency transactions in currencies different from the functional currency (hereafter – foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Gains and losses arising from changes in exchange rates are presented in the statement of comprehensive income among 'financial income (expenses)'.

e. Property, plant and equipment

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

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

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

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

Leasehold improvements are amortized by the straight-line method over the terms of the lease (ten years) which is shorter than the asset's useful life.

The asset's residual values, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f. Intangible Assets – computer software

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

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

g. Financial instruments:

2. ***Classification***

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Group management determines the classification of its financial assets at initial recognition.

(a) *Financial instruments at fair value through profit or loss*

This category includes financial assets and financial liabilities held for trading. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if designated by management in this category. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group's financial instruments at fair value through profit or loss comprise 'Financial derivative open positions' offset from, or presented with, 'Customer deposits, net' within 'Trade payables – due to clients' (see note 2j) in the consolidated statements of financial position.

(b) *Loans and receivables*

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

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

(2) ***Recognition and measurement***

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

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the consolidated statements of comprehensive income within 'Trading income' in the period in which they arise.

A financial instrument is derecognized when the contract that gives rise to it is settled, sold, cancelled or expires.

(3) ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other highly liquid short-term investments, the original maturity of which does not exceed three months.

All of the subsidiaries, except the BG Subsidiary, hold money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA), Australian Securities and Investments Commission (ASIC), New Zealand Financial Markets Authority (FMA), Cyprus Securities and Exchange Commission (CYSEC) and Israel Securities Authority (ISA), respectively. Such monies are classified as 'segregated client funds' in accordance with the regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

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

i. Other accounts payable

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

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

j. Trade payables – due to clients

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

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

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

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

k. Share-based compensation

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

l. Employee benefits and Pension Obligations

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

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

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

m. Trading income

Trading income is recognized when it is probable that economic benefits associated with the transaction will flow to the Group and the income can be reliably measured.

Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognized as trading income, as well as gains and losses realized on positions that have closed.

Trading income is reported gross of commissions to agents as the Group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers.

The said commissions are included in ‘selling and marketing’ expenses and disclosed separately in note 11a.

n. Dividends

Dividend distribution is recognized as a liability in the Group’s statement of financial position on the date on which the dividends are approved by the Group’s Board of Directors.

o. Current income tax

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

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

p. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

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

q. Leases

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

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

1. New and amended standards adopted by the Group for the first time for the financial year beginning on or after 1 January 2016 –

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

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

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

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

   a. ***IFRS 9 – "Financial Instruments" (hereafter – IFRS 9).***

      IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance of IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group estimates that there will be no material impact in the application of IFRS 9 on its financial statements.

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

      Upon first-time adoption, IFRS 15 will replace existing IFRS guidance on revenue recognition.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a single model for revenue recognition, in which an entity recognizes revenue in accordance with that core principle by applying the following five steps:

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

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

The standard extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

On 22 July 2015, the IASB released a decision on deferral of the effective date of the standard by one year, and the standard will be applied retrospectively for annual periods beginning on 1 January 2018, with transitional provisions. Early adoption is permitted. The Group is exploring the expected impact of IFRS 15 on its financial statements.

c. ***IFRS 16 – "Leases" (hereafter – IFRS 16)***

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

NOTE 3 – FINANCIAL RISK MANAGEMENT:

The Group specializes in the field of Contracts for Differences ("CFD") for retail clients only, primarily on commodities, indices, stocks, options, ETFs and foreign exchange.

The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

a. Market risk

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

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

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

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

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

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

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

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

1. ***Market price risk***

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

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

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

   Daily profit on closed positions:

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

   During the years 2016 and 2015, as to the closed positions, there were 312 and 337 profitable trading days, respectively.

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

2. ***Foreign currency risk***

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

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

At 31 December 2016, if the U.S. dollar had strengthened by 1 per cent. against Pound sterling with all other variables unchanged the exposure in respect of balances denominated in Pound sterling on income after taxes is $27 thousand (2015: $61 thousand); if the U.S. dollar had strengthened by 1 per cent. against Euro with all other variables unchanged the exposure in respect of balance denominated in Euro on income after taxes is $ 64 thousand (2015: $109 thousand); if the U.S dollar had strengthened by 1 per cent. against Australian Dollar with all other variables unchanged the exposure in respect of balance denominated in Australian Dollar on income after taxes is $54 thousand (2015: $85 thousand).

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

b. Credit risk

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

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

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

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

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

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

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

As of 31 December 2016 and 2015 counterparties holding about 96 per cent. and 84 per cent., respectively, of the Group's cash and cash equivalents, credit cards and deposits are Barclays, Bank Leumi, Credit Suisse, Commonwealth Bank, Societe Generale and BNP. The credit ratings as of 31 December 2016 are as follows:

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

* The financial institution were rated by the same third party

The remaining counterparties, for the year ended 31 December 2016 and 2015 hold about 4 per cent., and 16 per cent., respectively, of Group's cash and cash equivalents. Those amounts are held in a few banks worldwide and the balance in each of those banks does not exceed 6 per cent. of total cash and cash equivalents.

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

c. Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks (see note 13).

d. Liquidity risk

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

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

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

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

e. Capital Management:

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

   Both Pillar 1 and Pillar 2 assessments are compared with total available regulatory capital on a daily basis and monitored by the management of the Group. As of 31 December 2016 and 2015, the UK Subsidiary had £16,436 thousands and £19,061 thousands, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

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

   The CY Subsidiary monitors on a frequent basis its Pillar 1 capital requirements and ensures that its capital position remains always above the minimum regulatory thresholds. As of 31 December 2016 and 2015, the regulatory capital of the CY Subsidiary was €18,046 thousands and €12,373 thousands, respectively, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

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

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

   As at 31 December 2016 and 2015, the AU Subsidiary held Net Tangible Assets of $8,983 thousands and $7,326 thousands, respectively, of regulatory capital, which is in excess of its NTA requirements.

4. The IL Subsidiary is regulated by the Israeli Securities Authority (hereafter – ISA).

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

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

f. Fair value estimation

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

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

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

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT:

c. Composition of assets, grouped by major classifications and changes therein in 2016 is as follows:

	Cost			*Accumulated depreciation*			*Depreciated balance*
	Balance at beginning of year	*Additions during the year*	*Balance at end of the year*	*Balance at beginning of year*	*Additions during the year*	*Balance at end of the year*	*As of 31 December 2016*
			U.S. dollars in thousands				*U.S. dollars in thousands*
Computers and office equipment	687	366	1,053	292	226	518	535
Leasehold improvements	1,833	1,539	3,372	251	227	478	2,894
	2,520	1,905	4,425	543	453	996	3,429

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

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

NOTE 5 – INTANGIBLE ASSETS

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

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

NOTE 6 – SHARE CAPITAL

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

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

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

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

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

NOTE 7 – TAXES ON INCOME:

a. **Corporate taxation in Israel**

Under the "Tax Burden Distribution Law", corporate tax rate is 25 per cent. as from 2012.

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

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

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

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

b. Corporate taxation in subsidiaries

The UK Subsidiary is assessed for the tax under the tax laws in the UK. The principal tax rate applicable to the UK Subsidiary in the UK is 20 per cent.

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

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

c. Deferred tax asset

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

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

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

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

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

e. Reconciliation of the theoretical tax expense

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

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

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

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

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

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

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

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

Considering that the temporary provision applies to the 2007-2013 tax years and Company's assessment on the likelihood for extension to cover 2014, 2015 and 2016, as above, the Company computed its taxable income for 2009-2016 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

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

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

NOTE 8 – RESTRICTED DEPOSITS

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

The restricted deposit serves as a security for a bank guarantee provided in favor of the said third party in the amount of US $ 278 thousands (NIS 1,069 thousands) until 30 June 2017.

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

NOTE 9 – SHARE-BASED COMPENSATION

The Group grants “Share Appreciation Rights” to selected employees upon approval of the Board of Directors (hereafter – the grant).

During 2014, the Group granted 1,382 rights to 14 employees on three different occasions.

On 1 January 2015, the Group granted 894 rights to 20 employees.

The Group granted another 3,122 rights to 26 employees on 3 January 2016, 41 rights to 1 employee on 17 April 2016 and 3,722 rights to 45 employees on 30 December 2016.

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

The rights represent the total amount of grant divided by the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the dates of grant (hereafter – the share price on grant date).

As of the end of each period, the fair value of the rights is calculated by the number of rights, as calculated on grant date, multiplied by the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the end of each period (or the payout date) divided by the share price on grant date.

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

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

Grant date	*Settlement date*	*Share price on grant date (GBP)*	*Grant rights*
14 January 2014	14 January 2016	260.19	1,149
16 July 2014	16 July 2016	524.30	33
19 December 2014	19 December 2016	499.80	200
1 January 2015	1 January 2017	522.94	894
3 January 2016	3 January 2018	388.81	3,122
17 April 2016	17 April 2018	563.25	41
30 December 2016	30 December 2018	541.21	3,722

As of 31 December 2016 and 2015 the Group recognized a liability at fair value of $2,298 thousands and $586 thousands, respectively.

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

In the year 2015, the Group recognized expenses within 'Administrative and general expenses', with respect of the grant, in amount of $417 thousands.

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

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

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

During 2016, 304 rights were forfeited.

NOTE 10 – SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION INFORMATION:

e. Cash and cash equivalents

Cash and cash equivalents by currency of denomination

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

* Reclassified

f. Accounts receivable

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

As of 31 December 2016 and 2015, the total amount of 'prepaid expenses' includes expenses from the Company's sponsorship agreement with Atletico Madrid Football Club in amount of $5,521 thousands and $3,991 thousands, respectively (see note 14b).

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

g. Trade payables – due to clients

	31 December 2016	2015
	U.S. dollars in thousands	
Customers deposits, net*	63,956	41,290
Segregated client funds	(62,368)	(39,771)
	1,588	1,519

* Customers deposits, net are comprised of the following:

	2016	2015
Customers deposits	83,580	47,469
Less- financial derivative open positions:		
Gross amount of assets	(25,902)	(8,982)
Gross amount of liabilities	6,278	2,803
	63,956	41,290

As of 31 December 2016 and 2015, the total amount of 'Trade payables – due to clients' includes bonuses to the clients from all of the subsidiaries.

h. Other accounts payable and accruals:

3. ***Service suppliers***

Accounts payable and accruals for service supplies are comprised mainly of amounts due to advertising service suppliers.

4. ***Other***

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

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

NOTE 11 – SUPPLEMENTARY STATEMENT OF COMPREHENSIVE INCOME INFORMATION:

	Year ended 31 December 2016	2015
	U.S. dollars in thousands	
a. Selling and marketing expenses		
Payroll and related expenses	9,784	*5,816
Share-based compensation	1,415	–
Commission to agents	8,773	5,950
Advertising	116,075	*97,810
Commissions to processing companies	14,323	10,683
Server and data feeds commissions	4,451	3,337
Third party customer support	1,859	1,296
Sundry	597	521
	157,277	125,413

b. Administrative and general expenses

	Year ended 31 December 2016	2015
	U.S. dollars in thousands	
Payroll and related expenses	6,831	5,829
Professional fees and regulatory fees	5,486	7,051
Share-based compensation	1,129	417
Office expenses	2,754	1,888
Travelling expenses	553	500
Public company expenses	997	969
Irrevocable VAT	1,872	*652
Sundry	510	*341
	20,132	17,647

* Reclassified

NOTE 12 – RELATED PARTIES

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

Key management personnel of the Company include five founding shareholders: one of those shareholders is a Director.

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

As of 31 December 2016 and 2015, the balance of the Company's liability in respect of these services amounts is $163 thousands and $128 thousands respectively; the said liability is recorded among 'Accrued expenses' (see note 10d(2)).

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

In 2016 and 2015, the Company paid directors fees at the total amount of $645 thousands and $ 639 thousands, respectively under the 'Administrative and general expenses'.

NOTE 13 – ENTERPRISE WIDE DISCLOSURES

The Company is domiciled in Israel. Trading income and non-current assets from Israeli customers are not material.

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

	Year ended 31 December 2016	2015
	U.S. dollars in thousands	
United Kingdom	61,378	42,457
Europe	200,653	184,613
Other	65,896	48,581
	327,927	275,651

NOTE 14 – COMMITMENTS

a. On 28 April 2014 the Company signed a lease contract (hereafter –the contract) with a third party for the lease of 1,360 square meter offices in Haifa, Israel.

According to the contract, the lease is for 60 months and the Company has an option to shorten the lease period to 36 months with a payment of NIS 337 thousands plus VAT.

On 30 June 2015 and on 11 November 2015 the Company signed two additional lease contracts to the contract (hereafter – the additional contract), for the lease of additional 730 square meters and 804 square meters, respectively. According to the additional contract terms, the additional lease is for the same period as the contract.

The rental payments are linked to the Israeli CPI.

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

	U.S. dollars in thousands
2017	756
2018	756
2019	252
Total	1,764

b. The Company and Club Atlético de Madrid, S.A.D. (hereafter – Atlético Madrid) entered into a sponsorship agreement on 6 January 2015 under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2015/16 and 2016/17 seasons. See also note 16.

c. The Company and Brumbies Rugby, the Australian professional rugby union team (hereafter – the Brumbies) entered into a sponsorship agreement on 5 December 2016 under which the Company is entitled to advertise and promote itself as the official sponsor of the Brumbies for the 2017/2018 season.

NOTE 15 – EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

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

NOTE 16 – SUBSEQUENT EVENTS:

a. On 9 January 2017, the Company announced that its sponsorship agreement with Atlético Madrid will continue to 2017/2018 season.

b. On 7 February 2017, the Company's Board of Directors declared the distribution of a dividend of \$ 0.3799 per share, in the total amount of \$ 43.6 million with an ex-dividend date of 2 March 2017.

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

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

PART C: 2015 FINANCIAL STATEMENTS

The following is the text of the independent auditors' report on the Group from its statutory financial statements for the two years ended 31 December 2015.

References to other sections and page numbers of the 2015 Annual Report and Accounts should be disregarded for the purposes of this Prospectus.

REPORT OF THE AUDITORS

To the shareholders of
Plus500 Ltd.

We have audited the accompanying consolidated statements of financial position of Plus500 Ltd. (hereafter - the Company) as of 31 December 2015 and 2014, and the related consolidated statement of comprehensive income, statements of changes in equity and statements of cash flows for each of the two years ended on 31 December 2015. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of 31 December 2015 and 2014, and the statement of comprehensive income, changes in equity and cash flows for each of the two years ended on 31 December 2015, in accordance with International Financial Reporting Standards (IFRS).

Haifa, Israel
14 March 2016

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	2015	2014
		As of 31 December	
		U.S. dollars in thousands	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	10a	156,497	139,164
Short-term bank deposit		38	1,037
Restricted deposits	8	181	69
Accounts receivable	10b	9,761	3,927
Income tax receivable	7	227	–
		166,704	144,197
NON-CURRENT ASSETS:			
Long term restricted deposit	8	24	–
Property, plant and equipment	4	1,977	1,557
Intangible assets	5	92	57
Deferred income taxes	7	173	495
		2,266	2,109
Total assets		168,970	146,306
Liabilities and Shareholders' Equity			
CURRENT LIABILITIES:			
Trade payables – due to clients	10c	1,519	5,885
Other accounts payable and accruals:			
Service supplies		13,391	7,831
Other	10d	3,480	2,382
Income tax payable	7	7,972	19,579
Share-based compensation	9	372	–
Dividend	6	24,368	–
		51,102	35,677
NON-CURRENT LIABILITIES –			
Share-based compensation	9	214	169
EQUITY:			
Ordinary shares		317	317
Share premium		22,220	22,220
Retained earnings		95,117	87,923
Total equity		117,654	110,460
Total equity and liabilities		168,970	146,306

Gal Haber	**Inbal Marom**	**Alastair Neil Gordon**
Chief Executive Officer	*Group Chief Financial Officer*	*Non-Executive Director and Chairman*

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

14 March 2016

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	*2015*	*2014*
		U.S. dollars in thousands	
TRADING INCOME		275,651	228,865
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:			
Selling and marketing	11a	125,413	75,170
Administrative and general	11b	17,647	8,373
Loss on disposal of property, plant and equipment			109 –
INCOME FROM OPERATIONS		132,482	145,322
Financial income		178	178
Financial expenses		4,776	7,381
FINANCING EXPENSES – net		4,598	7,203
INCOME BEFORE TAXES ON INCOME		127,884	138,119
TAXES ON INCOME	7	31,317	35,667
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD		96,567	102,452
		In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	15	0.84	0.89

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	*Share premium*	*Retained earnings*	*Total*
		U.S. dollars in thousands		
BALANCE AT 1 JANUARY 2014	317	22,220	45,477	68,014
Profit and comprehensive income for the year			102,452	102,452
TRANSACTION WITH SHAREHOLDERS –				
Dividend			(60,006)	(60,006)
BALANCE AT 31 DECEMBER 2014	317	22,220	87,923	110,460
Profit and comprehensive income for the year			96,567	96,567
TRANSACTION WITH SHAREHOLDERS –				
Dividend			(89,373)	(89,373)
BALANCE AT 31 DECEMBER 2015	317	22,220	95,117	117,654

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash generated from operations (see Appendix A)	128,078	141,081
Income tax paid – net	(42,658)	(22,407)
Interest received	55	178
Net cash provided by operating activities	85,475	118,852
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits withdrawals	1,039	138
Purchase of deposits	(38)	–
Purchase of restricted deposits	(136)	–
Purchase of property, plant and equipment	(819)	(1,419)
Proceeds from sale of property, plant and equipment	26	–
Purchase of intangible assets	(54)	(24)
Net cash provided by (used in) investing activities	18	(1,305)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend paid to equity holders of the Company (see Appendix B)	(65,005)	(60,006)
INCREASE IN CASH AND CASH EQUIVALENTS	20,488	57,541
Balance of cash and cash equivalents at beginning of year	139,164	84,108
Losses from exchange differences on cash and cash equivalents	(3,155)	(2,485)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	156,497	139,164

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

APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
Cash generated from operations –		
Net income for the period	96,567	102,452
Adjustments required to reflect the cash flows from operating activities:		
Depreciation and amortization	283	120
Loss on disposal of property, plant and equipment	109	–
Taxes on income	31,317	35,667
Interest and foreign exchange losses (gains) on operating activities	2,927	769
	34,636	36,556
Operating changes in working capital:		
Increase in accounts receivable	(5,834)	(688)
Increase (decrease) in trade payables due to clients	(4,366)	353
Increase in other accounts payable:		
Service supplies	5,560	991
Other	1,098	1,248
Liability for share-based compensation	417	169
	(3,125)	2,073
Cash flows from operating activities	128,078	141,081

APPENDIX B: non-cash transactions

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

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

Plus500 Ltd. (hereafter – the Company) was established in 2008 in Israel as a private limited company with the name Investsoft Ltd. On 18 June 2012 the Company changed its name to Plus500 Ltd. The Company has developed a trading platform for private clients, enabling trading on contracts for differences (hereafter – CFD) on shares, indices, commodities, options and foreign exchange.

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

Plus500UK Ltd (hereafter – UK Subsidiary or Plus500UK) is a subsidiary of the Company located in UK, and regulated by the Financial Conduct Authority (FCA).

Plus500AU Pty Ltd (hereafter – AU Subsidiary) is subsidiary of the Company located in Australia. Plus500AU has an Australian Securities and Investments Commission ("ASIC") license.

In June 2014, the Company established a new subsidiary in Cyprus (hereafter – CY Subsidiary") regulated by the Cyprus Securities and Exchange Commission ("CYSEC") license.

Commencing 2015 the company established a subsidiary in Israel (hereafter "IL Subsidiary") in order to operate in Israel. The IL subsidiary is subject to the Israeli Securities Authority.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation:

The Group's financial information as of 31 December 2015 and 2014 and for each of the two years for the period ended 31 December 2015, are in compliance with International Financial Reporting Standards that consist of standard and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information has been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Principles of consolidation:

The Company controls the Subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them.

(1) The consolidated financial statements include the accounts of the Company and its subsidiaries.

(2) Intercompany balances and transactions between the Group's entities have been eliminated.

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

c. Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

As stated in note 1 above, the Group operates in one operating segment: CFD trading.

d. Foreign currency translation:

(1) ***Functional and Presentation Currency***

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

(2) ***Transactions and balances***

Foreign currency transactions in currencies different from the functional currency (hereafter foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Gains and losses arising from changes in exchange rates are presented in the statement of comprehensive income among "financial income (expenses)".

e. Property, plant and equipment:

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

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

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

	Percentage of annual depreciation
Computers and office equipment	10-33
Leasehold improvements	20

Leasehold improvements are amortized by the straight-line method over the terms of the lease (five years) which is shorter than the asset's useful life.

The asset's residual values, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f. Intangible Assets – computer software

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

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

g. Financial instruments

(1) ***Classification***

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Group management determines the classification of its financial assets at initial recognition.

(a) *Financial instruments at fair value through profit or loss*

This category includes 2 sub-categories: financial assets and financial liabilities held for trading and financial assets as at fair value through profit or loss. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if designated by management in this category. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group's financial instruments at fair value through profit or loss comprise 'Financial derivative open positions' offset from 'Deposits from clients' within 'Trade payables due from clients', (see note 2k) in the statements of 'Financial position.'

(b) *Loans and receivables*

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

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

(2) ***Recognition and measurement***

Investments are initially recognized at fair value plus transaction costs for all financial assets not measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss, are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are measured in subsequent periods at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the statements of comprehensive income within 'Trading income' in the period in which they arise.

A financial instrument is derecognized when the contract that gives rise to it is settled, sold, cancelled or expires.

(3) ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(4) ***Impairment of financial assets***

Financial assets are carried at amortized cost.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Where objective evidence for impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount of the financial assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed for the asset upon initial recognition). The asset's carrying amount is reduced and the amount of the loss is recognized in profit or loss.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other highly liquid short-term investments, the original maturity of which does not exceed three months.

All of the subsidiaries holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA), Australian Securities and Investments Commission (ASIC), Cyprus Securities and Exchange Commission (CYSEC) and Israel Securities Authority (ISA), respectively. Such monies are classified as 'segregated client funds' in accordance with the regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

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

i. Accounts payable

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

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

j. Trade payables – due to clients

As part of its business, the Group receives from its customers, deposits to secure their trading positions.

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

Trade payables due to clients represent balances with counterparties and clients where the combination of cash held on account (customer deposits) and the valuation of financial derivative open positions result in an amount payable by the Group.

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

k. Share-based payment

The Group operates a cash – settled share-based payment plan, under which it receives services from employees as consideration for rights. The fair value of the employee services received in exchange for the grant of the rights are recognized as an expense in the consolidated statements of comprehensive income. At the end of each reporting period the Company evaluates the rights based on their fair value.

l. Employee benefits and Pension Obligations

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

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

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

m. Revenue recognition

Revenue is recognized when it is probable that economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured.

Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognized in revenue as well as gains and losses realized on positions that have closed.

Trading income is reported gross of commissions to agents as the Group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers.

The said commissions are included in 'selling and marketing' expenses and disclosed separately in Note 11a.

n. Dividends

Dividend distribution is recognized as a liability in the Group's statement of financial position on the date on which the dividends are approved by the Group's Board of Directors.

o. Current income tax

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

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

p. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss.

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

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

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

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

q. Leases

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

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

New and amended standards not yet adopted by the Group for reporting periods starting 1 January 2015:

(1) ***IFRS 9 – "Financial Instruments" (hereafter – IFRS 9).***

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The application of IFRS 9 does not have a material effect on the Group's financial statements.

(2) ***IFRS15 – "Revenue from Contracts with Customers" (hereafter – IFRS15).***

Upon first-time adoption, IFRS 15 will replace existing IFRS guidance on revenue recognition.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 introduces a single model for revenue recognition, in which an entity recognizes revenue in accordance with that core principle by applying the following five steps:

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

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

The standard extends the disclosure requirements regarding revenue and requires, among other things, that entities disclose qualitative and quantitative information about significant judgments made by management in determining the amount and timing of the revenue.

On July 22 2015, the IASB released a decision on deferral of the effective date of the standard by one year, and the standard will be applied retrospectively for annual periods beginning on 1 January 2018, with transitional provisions. Early adoption is permitted. The Group is exploring the expected impact of IFRS 15 on its financial statements.

(3) ***Amendment to IAS1 – "Presentation of financial statements" (hereafter – Amendment to IAS1).***

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

The amendment is effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group estimates that there will be no impact in the application of the amendment to IAS1.

(4) ***Amendment of IFRS7 – "Financial instruments disclosures" (hereafter – IFRS7).***

The amendment clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.

The amendments will be applied on a retrospective basis (with certain reliefs) for annual reporting periods starting on 1 January 2016 or thereafter. Early adoption is permitted. The Group estimates that there will be no impact in the application of the amendment to IFRS7.

NOTE 3 – FINANCIAL RISK MANAGEMENT

The Group specializes in the field of Contracts for Differences ("CFD") for retail clients only, primarily on Commodities, Indices, Stocks, Options, ETFs and Foreign Exchange.

The Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance.

a. Market risk

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

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

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

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

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

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

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

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

1. ***Market price risk:***

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

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

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

   Daily profit on closed positions:

	2015	*2014*
	U.S. dollars in thousands	
Highest profit	5,732	4,379
Highest loss	(725)	(608)
Average	757	628

   During the years 2015 and 2014, as to the closed positions, there were 337 and 349 profitable trading days respectively.

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

2. ***Foreign currency risk:***

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

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

At 31 December 2015, if the U.S. dollar had strengthened by 1 per cent. against Pound sterling with all other variables unchanged the exposure in respect of balances denominated in Pound sterling on income after taxes is $ 61 thousand (2014: $ 65 thousand); if the U.S. dollar had strengthened by 1 per cent. against Euro with all other variables unchanged the exposure in respect of balance denominated in Euro on income after taxes is $ 109 thousand (2014: $ 233 thousand); if the U.S dollar had strengthened by 1 per cent. against Australian Dollar with all other variables unchanged the exposure in respect of balance denominated in Australian Dollar on income after taxes is $ 85 thousand (2014: $ 58 thousand).

b. Credit risk

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

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

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

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

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

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

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

For the years 2015 and 2014 Counterparties holding about 90 per cent. and 96 per cent. (respectively) of Company cash and cash equivalents, credit cards and deposits are Barclays, Bank Leumi, Credit Suisse, Commonwealth Bank and HSBC. The credit ratings as of 31 December 2015 are as follows:

Financial institution	*Rating**
Commonwealth Bank	AA-
HSBC	AA-
Credit Suisse	A
Barclays	A-
Bank Leumi	A-

* The Financial institution were rated by the same third party

As for the remaining counterparties which for the years 2015 and 2014 holds about 10 per cent., and 4 per cent. (respectively) of Company cash and cash equivalents, is mainly held in 5 banks worldwide, where the balance in each of those banks does not exceed 5 per cent. of total cash and cash equivalents.

The Group's largest credit exposure to any single bank as of 31 December 2015 was $ 65,231 thousands or 33 per cent. of the exposure to all banks (2014: $ 82,916 thousands).

c. Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks (see note 13).

d. Liquidity risk

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

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

The Group 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 adopting what it considers to be best industry practice in placing some retail client funds in segregated client money accounts. A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

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

e. Capital Management

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

   Both Pillar 1 and the Pillar 2 assessment are compared with total available regulatory capital on a daily basis and monitored by the management of the company. As of 31 December 2015 and 2014, the UK regulated entity had £ 19,061 thousands and £ 14,678 thousands, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

2. The CY Subsidiary is regulated by the Cyprus Securities and Exchange Commission (the "CySEC"). The CY Subsidiary manages its capital 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 manage 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 I capital requirement and ensures that its capital position remains always above the minimum regulatory thresholds. As of 31 December 2015, the regulatory capital of the CY entity was €12,373 thousands, which is in excess of the minimum capital requirement of Pillar I amounted to €4,318 thousands. Moreover, the company is evaluating its overall risk profile and capital position through its internal capital adequacy assessment process, which is performed at least on an annual basis.

3. The Australian subsidiary is regulated by the Australian Securities and Investment Commission (ASIC). The Australian 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 Australian subsidiary manages its capital through its Net Tangible Assets (NTA) assessment in accordance with rules and guidelines implemented by ASIC.

   As at 31 December 2015 and 2014, the Australian regulated entity held Net Tangible Assets of $7,326 thousands and $1,921 thousands respectively of regulatory capital, which is in excess of its NTA requirements.

f. Fair value estimation

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

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

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

g. Financial derivative open positions

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

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

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT:

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

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

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

	Cost			Accumulated depreciation			Depreciated balance As of 31 December 2014
	Balance at beginning of year	*Additions during the year*	*Balance at end of the year*	*Balance at beginning of year*	*Additions during the year*	*Balance at end of the year*	*U.S. dollars in thousands*
	U.S. dollars in thousands						
Computers and office equipment	345	110	455	166	72	238	217
Leasehold improvements	126	1,309	1,435	61	34	95	1,340
	471	1,419	1,890	227	106	333	1,557

NOTE 5 – INTANGIBLE ASSETS:

	Cost	*Accumulated amortization*	*Cost*	*Accumulated amortization*
	As of 31 December 2015 U.S. $ in thousands		*As of 31 December 2014 U.S. $ in thousands*	
Software	154	62	100	43

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

NOTE 6 – SHARE CAPITAL

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

	Number of shares 31 December	
	2015	*2014*
Authorized	300,000,000	300,000,000
Issued and fully paid	114,888,377	114,888,377

The amounts of dividends and the amounts of dividends per share for the years 2015 and 2014 declared and distribute by the Company's Board of Directors are as follows:

Date of declaration	*Amount of dividend in thousands of $*
18 February 2014	33,007
12 August 2014	26,999
24 February 2015	65,005
23 November 2015	24,368

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

The dividend paid in 2015 and 2014 amounted to $ 65,005 thousands ($ 0.566 per share) and $ 60,006 thousands ($ 0.52 per share), respectively.

NOTE 7 – TAXES ON INCOME:

a. Corporate taxation in Israel

Under the "Tax Burden Distribution Law", corporate tax rate is 25 per cent. as from 2012.

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

On 5 January 2016, the Law for the Amendment to the Income Tax Ordinance (No. 216), 2016 was published in the official gazette. The said law stipulated the reduction of the rate of corporate tax from 26.5 per cent. to 25 per cent. commencing tax year 2016. As a result of the decrease in tax rate, it is expected that the Group will not have a material effect on its deferred tax assets.

b. Corporate taxation in Subsidiaries

The UK subsidiary is assessed for tax under the tax laws in UK. The principal tax rates applicable to the UK Subsidiary incorporated in the UK is 20.3 per cent. (January – March 2015 – tax rate of 21 per cent., April 2015 through December 2015 tax rate of 20 per cent.).

The CY subsidiary is assessed for tax under the tax laws in Cyprus. The principal tax rates applicable to the CY Subsidiary incorporated in Cyprus is 12.5 per cent.

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

c. Deferred tax asset

The Deferred tax assets in 2015 and 2014 in total amount of $173 thousands and $495 thousands, respectively, is presented among "non-current assets", and computed at tax rate of 26.5 per cent.

The Deferred tax assets which will be settled in 2016 are in total amount of $99 thousands.

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

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

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
Current taxes –		
Current taxes in respect of current year's profits	31,181	35,099
Current taxes in respect of previous years	(186)	
	30,995	35,099
Deferred taxes –		
Reversal of deferred taxes asset (see c above)	322	568
Taxes on income expenses	31,317	35,667

e. Reconciliation of the theoretical tax expense

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

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
Income before taxes on income, as reported in the income statements	127,884	138,119
Theoretical tax expense in respect of this year's income – at 26.5%	33,889	36,602
Decrease in taxes resulting from different tax rates applicable to foreign subsidiary	(2,287)	(817)
Decrease in taxes arising from permanent differences	(99)	(118)
Decrease in taxes resulting of final tax assessments	(186)	–
Taxes on income for the reported period	31,317	35,667

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

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

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

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

On 31 October 2011 the Government of Israel published a law memorandum in connection with the amendment to the Income Tax Ordinance (hereafter – the law memorandum) resulting from application of IFRS in the financial statements. Generally, the law memorandum adopts IFRS. However, its 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 and 2015 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014 and 2015, management expects at this stage that the new legislation will not apply to tax years preceding 2016.

Considering that the temporary provision applies to the 2007-2013 tax years and company assessment on the likelihood for extension to cover 2014 and 2015, as above, the Company computed its taxable income for 2009-2015 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

g. Final tax assessments have been received by the company through the year ended 31 December 2013.

The UK Subsidiary, AU Subsidiary, CY Subsidiary and IL Subsidiary have only been subject to self-assessment since its incorporation.

NOTE 8 – RESTRICTED DEPOSIT

On 28 April 2014 the Company signed a lease contract with a third party for the lease of 1,360 square meter offices in Haifa, Israel.

According to the contract, the lease is for 60 months and the Company has an option to shorten the lease period to 36 months with a payment of NIS 337 thousands plus VAT.

On 30 June 2015 the Company signed an addition to the lease contract from 28 April 2014, for the lease of additional 730 square meter. According to the contract, the lease is for the same period of the previous lease contract.

The rental payments are linked to the Israeli CPI.

The long term deposit serves as a security for a bank guarantee provided in favor of the said third party in the amount of US $ 104 thousands (NIS 405 thousands) until August 2016, (see note 14).

In addition, the IL subsidiary has restricted deposits in amounts of US $101 thousands.

NOTE 9 – SHARE-BASED COMPENSATION

On 14 January 2014 the Board of Directors approved a "Share Appreciation Rights" plan (hereafter "the Plan") to the Group employees. Under the Plan, the Company granted 1,382 rights to 14 employees on three different occasions. The company granted another 894 rights to 20 employees on 1 January 2015.

The rights represent the number of shares as of grant, which is calculated by dividing the value as determined under the plan at the grant date of the grant that the employees are entitled to receive by the average share price over the three month period preceding the date of grant.

The fair value of the grants as of the dates of grant was calculated on the basis of the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the dates of grant.

The rights will be settled in cash two years after the date of grant; the amount paid to the employees in cash will be determined based on the Company's share price as of the end of the two-year period.

The cash payment shall be calculated on the basis of the average closing price of the ordinary shares of the Company on the AIM over the course of the 60 trading days immediately preceding the payout date.

The fair value of the rights was estimated using the Black and Scholes option pricing model.

The Group implemented IFRS 2 "Share-Based Payments" (see note 2k) to this Plan.

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

Grant date	*Expiry date*	*Share price on grant date (GBP)*	*Fair value (GBP)*	*Grant rights*
14 January 2014	14 January 2016	260.19	190.92	1,149
16 July 2014	16 July 2016	524.30	187.20	33
19 December 2014	19 December 2016	499.80	298.59	200
1 January 2015	1 January 2017	522.94	316.55	894

As of 31 December 2015 and 2014 the Group recognized a liability at fair value of $586 and $169 thousands, respectively.

In the years 2015 and 2014, the Group recognized expenses in the said amount within general and administrative expenses with respect of the said plan in amount of $417 and $169 thousands, respectively.

NOTE 10 – SUPPLEMENTARY BALANCE SHEET INFORMATION:

a. Cash, cash equivalents:

Cash and cash equivalents by currency of denomination:

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
USD	118,445	96,838
Euro	41,751	44,426
GBP	16,299	14,808
AUD	13,470	8,981
Other	6,303	8,841
Gross cash and cash equivalents	196,268	173,894
Less: segregated client funds	(39,771)	(34,730)
Own cash and cash equivalents	156,497	139,164

b. Accounts receivable

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
Prepaid expenses	4,827	439
Credit cards	1,994	3,081
Other	2,940	407
	9,761	3,927

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

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.

c. Trade payables – due to clients:

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
Customers deposits	47,469	46,235
Segregated client funds	(39,771)	(34,730)
	7,698	11,505
Less-financial derivative open positions:		
Gross amount of assets	(8,982)	(8,493)
Gross amount of liabilities	2,803	2,873
	1,519	5,885

As of 31 December 2014 the total amount of trade payables due to clients includes amounts due to clients of Plus500 Ltd. and bonuses to the clients from all of the subsidiaries.

As of 31 December 2015 the total amount of trade payables due to clients includes bonuses to the clients from all of the subsidiaries.

d. Other accounts payable and accruals:

Other:

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
Payroll and related expenses	971	513
Accrued expenses	2,464	1,858
Other	45	11
	3,480	2,382

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

NOTE 11 – SUPPLEMENTARY INCOME STATEMENT INFORMATION:

	Year ended 31 December	
	2015	*2014*
	U.S. dollars in thousands	
a. Selling and marketing expenses:		
Payroll and related expenses	5,443	4,009
Commission to agents	5,950	4,275
Advertising	98,183	57,041
Commissions to processing companies	10,683	7,492
Server and data feeds commissions	3,337	2,212
Third party customer support	1,296	11
Sundry	521	130
	125,413	75,170
b. General and administrative expenses:		
Payroll and related expenses	5,829	2,290
Professional fees and regulatory fees	7,051	3,173
Share-based compensation	417	169
Office expenses	1,888	1,129
Travelling expenses	500	329
Public company expenses	969	715
Sundry	993	568
	17,647	8,373

NOTE 12 – RELATED PARTIES

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

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

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

As of 31 December 2015 and 2014, the balance of the Company's liability in respect of these services amounts is $128 thousands and $96 thousands respectively; the said liability is recorded among "other payables".

In 2015 and 2014, the Company paid service fees to related parties at the total amount of $1,479 thousands and $ 1,184 thousands, respectively. A total of $1,183 thousands and $ 946 thousands were recognized as payroll expenses under the "selling and marketing expenses" item for the years 2015 and 2014, respectively. The remaining balance of $ 296 thousands and $ 238 thousands was recognized as payroll expenses under the "general and administrative expenses" item in 2015 and 2014, respectively.

In 2015 and 2014, the Company paid directors fees at the total amount of $639 thousands and $ 423 thousands, respectively under the general and administrative expenses.

NOTE 13 – ENTERPRISE WIDE DISCLOSURES

The Company is domiciled in Israel. Trading income from Israeli customers is not material. Trading income from external customers in 2015 in the United Kingdom is 15 per cent. (2014: 16 per cent.) of the company's revenues.

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

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES

a. Commitments:

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

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

	U.S. dollars in thousands
2016	430
2017	430
2018	430
2019	430
Total	1,720

b. Contingent liabilities

On 30 October 2014 Plus500UK entered into a Voluntary Requirement ("VREQ") with the Financial Conduct Authority ("FCA") whereby Plus500UK was prohibited from conducting any transactions for customers without holding the appropriate AML documentation. On 9 January 2015, Plus500UK was required by the FCA under Section 166 of the Financial Services and Markets Act 2000 ("Section 166") to appoint a Skilled Person to conduct a review of its Anti-Money Laundering ("AML") and other related regulatory controls.

Following completion of the Skilled Person's Review, on 15 May 2015 Plus500UK entered into a further VREQ with the FCA prohibiting any new transactions for existing customers until additional AML documentation is provided and on-boarding any new clients until new AML procedures are implemented, as signed off by the Skilled Person.

Starting from mid- May 2015, Plus500UK put in place a comprehensive remediation plan to re-enable its suspended customers, and hired new staff for this process.

On 22 May 2015 Plus500UK was required by the FCA under a Section 166 requirement notice to appoint a second Skilled Person who was asked to review the steps taken by Plus500UK in regard to its remedial AML procedures for existing clients. The Skilled Person carried out a review of

Plus500UK's compliance with its remedial AML policies and procedures in respect to a sample of existing customers and reviewed these procedures to ensure they met regulatory requirements.

The second Skilled Person's final report on Plus500UK's existing customers was issued to the FCA on 3 July 2015. This report covered a review of a sample of trades and other transactions in a number of areas, with satisfactory results. The overall conclusion of the sample test was that there was no indication that the UK Company had breached the requirements of the second VREQ (requirement 2 dated 15 May 2015) that was agreed with the FCA.

In June and July 2015, Plus500UK concluded its work with support from compliance consultants and adopted revised procedures to enable the onboarding of new customers. New customers in the UK are able to onboarded since January 2016.

To date no disciplinary action nor any penalties in respect of the events described above have been taken against the Group. There is no provision in these financial statements in respect of the events described above as it is unknown whether or not any such actions or penalties will be levied and, if this does transpire, a reliable estimate of the quantum cannot be made.

NOTE 15- EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2015	*2014*
Profit attributable to equity holders of the Company (In U.S dollars)	96,567,000	102,452,000
Weighted average number of ordinary shares in issue	114,888,377	114,888,377

NOTE 16- SUBSEQUENT EVENTS

On 17 February 2016, the Company's Board of Directors declared the distribution of a dividend of $ 0.2922 per share, in the total amount of $ 33,570 thousands with an ex-dividend date of 24 March 2016.

In addition to the above, the Board has declared a special dividend of $ 0.3362 per share, in the total amount of $38,625 thousands.

PART XIV

TAXATION

The Company is tax resident in Israel.

The following is only a general guide to the main UK and Israeli tax consequences that should apply to shareholders who acquire their shares via trading on the Main Market, hold their shares as investments, are the absolute beneficial owners of the shares and any dividends received in respect of those shares and are UK tax resident and UK domiciled or deemed domiciled individuals or UK tax resident companies. It does not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders of acquiring, holding or disposing of shares. Specifically, it is not addressed to certain categories of shareholders who are subject to special rules, such as dealers in securities or those who have acquired (or are deemed for tax purposes to have acquired) their shares by reason of employment.

Any statements made as regards the main UK tax consequences applicable to shareholders are based on current UK tax legislation and what is understood to be the current published practice of Her Majesty's Revenue and Customs (**"HMRC"**).

The descriptions of the Israeli tax laws and practices set forth below are based on the statutes, regulations, rulings, judicial decisions and other authorities in force and applied in practice as of the date of this Prospectus, all of which are subject to change and differing interpretations. The discussion does not purport to constitute a complete analysis of all potential Israeli tax consequences applicable to investors upon purchasing, owning or disposing of shares. In particular, this general guide does not take into account the specific circumstance of any particular investor (such as tax exempt entities, financial institutions, certain financial companies, broker-dealers, investors that own, directly or indirectly, 10 per cent. or more of voting rights in the Company, or non-Israeli companies, which Israeli residents hold, directly or indirectly, by themselves, with another, or with another Israeli tax resident, 25 per cent. of more of the shares or having the right to 25 per cent. or more of the income or profit, all of whom are subject to special tax regimes not covered by this general guide). To the extent that issues discussed herein are based on legislation which is yet to become subject to judicial or administrative interpretation, there can be no assurance that the views expressed herein will align with any such interpretation in the future.

If you are in any doubt as to your own tax position or are resident or subject to tax in a jurisdiction outside the UK and Israel, you should seek independent professional advice without delay.

Potential investors are advised to consult with their own tax advisors in respect of the Israeli or other potential tax consequences of the purchase, ownership or disposition of the Ordinary Shares, including, in particular, the effect of any foreign, state or local taxes.

1. TAXATION OF DIVIDENDS

With respect to dividends sourced from regular earnings, the current Israeli rate of withholding tax on dividends paid by a company is 25 per cent. for distributions to any person who is not a "substantial shareholder" and 30 per cent. for distributions to a "substantial shareholder" (being someone who holds, directly or indirectly, by himself or "together with another", at least 10 per cent. of one or more of the means of control in the company at the time of distribution or at any time during the preceding 12 months period – "together with another" means together with a relative, or together with someone who is not a relative but with whom, according to an agreement, there is regular cooperation in material matters of the Company, directly or indirectly). If the recipient of the dividend is an Israeli resident corporation, such dividend will be generally be exempt from Israeli income tax provided that the income from which such dividend is distributed, derived or accrued is within Israel. It should be noted that high income taxpayers shall be subject to an additional 3 per cent. tax on annual income exceeding NIS641,880 for the tax year 2018.

The double taxation treaty between Israel and the UK (the "**UK Treaty**") provides for the foregoing withholding to be reduced to 15 per cent. where the recipient is subject to tax on the dividends received in the UK. This relief under the UK Treaty is not available if the holder of Ordinary Shares has a permanent establishment in Israel and their holding of Ordinary Shares with respect to which the dividends are paid is effectively connected with the business or trade of that permanent establishment. The reduced rate of withholding tax is also not available under the UK Treaty if: (i) the recipient owns 10 per cent. or more of the class of shares in respect of which the dividend is paid, to the extent that the dividend in question could only have been paid out of profits which the Company earned or out of other income which it received in a period ending twelve months or more before the relevant date (for these purposes, the "relevant date" is the date on which the recipient of the dividend became the owner of 10 per cent. or more of the class of shares in question); and (ii) the recipient cannot show that the shares were acquired for *bona fide* commercial reasons and not primarily for the purpose of securing the benefit of the reduced withholding tax rate under the UK Treaty.

In order to enjoy the reduced withholding tax rate prescribed under the Law for the Encouragement of Capital Investments, 1959 or the UK Treaty, a certificate from the Israeli tax authorities must be obtained, which usually requires the shareholder to confirm their tax residence by providing a certificate of residency. The Company has obtained a special tax ruling (the "**Tax Ruling**") from the Israeli Tax Authorities ("**ITA**") for dividends distributed by the Company, as a result of which shareholders who are residents of countries which have a tax treaty with Israel may approach ESOP Management & Trust Services Ltd. (the "**Agent**") with a view to providing the Agent with requisite documentation and declarations as provided for in the Tax Ruling in order to be entitled to a reduced withholding tax rate.

Under Israeli law, other than with regard to dividend distributions relating to publicly traded shares held by shareholders via a "nominee company" (as defined under the Securities Law, 1968), the Company is required to withhold tax from dividend distributions in the manner detailed above.

2. UK TAXATION

Tax residence of the Company

Provided that the Company is not resident in the UK for taxation purposes and does not carry out any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation on its income and gains, other than in respect of interest and other income received by the Company from a UK source (to the extent that it is subject to withholding taxes in the UK).

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

Taxation of dividends

Liability to tax on dividends will depend upon the individual circumstances of a shareholder.

Individuals

An individual shareholder who is resident or domiciled or deemed domiciled for tax purposes in the UK may, depending on their circumstances, be liable to UK income tax in respect of dividends paid by the Company. A nil rate of income tax will apply to the first £2,000 of dividend income received in a tax year from 6 April 2018 from all shareholdings (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income. Dividend income in excess of the Nil Rate Amount will be taxable at the following rates for 2018/19: 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for dividends received by higher rate taxpayers and 38.1 per cent. for dividends received by additional rate taxpayers.

Dividend income that is within the Nil Rate Amount counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

Depending on the circumstances of the individual and to the extent it has not been used against other income of the taxpayer, the income tax personal allowance (£11,850 for the 2018-19 tax year) may also be available to set against the dividend income arising from common shares.

UK resident individual shareholders who are not domiciled within the UK and who are claiming the remittance basis of taxation (or who are within it automatically), will generally be subject to UK income tax on the dividend receipt only if the dividend is remitted (or deemed to be remitted) to the UK at the non-savings rate (i.e. up to 45 per cent.) and not the dividend rate (i.e. up to 38.1 per cent.). In such a case, it should be noted that advantage can only be taken of the reduced rate of withholding tax under the UK Treaty if the dividends are subject to UK tax and the recipient qualifies as a resident under the UK Treaty.

Companies

UK resident corporate shareholders which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate shareholder (which is not a "small company" for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent from 1 April 2017, and reducing to 17 per cent from 1 April 2020) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not "redeemable", and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

Shareholders within the charge to corporation tax should consult their own professional advisers.

3. CAPITAL GAINS TAX

Capital Gains Tax

If a UK tax resident shareholder sells or otherwise disposes or is deemed to dispose of all or some of the ordinary shares, he may, depending on his circumstances and subject to any available exemption or relief, incur a liability to CGT.

For UK resident individual shareholders, CGT at the rate of 10 per cent. for basic rate taxpayers or 20 per cent. for higher or additional rate taxpayers will be payable on any gain on a disposal of common shares. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which for the tax year 2018-19 exempts the first £11,700 of gains from tax) depending on their circumstances.

For shareholders that are body corporates resident in the UK any gain will be within the charge to corporation tax (chargeable at the applicable corporation tax rate for each shareholder). The current rate of corporation tax is 19 per cent. and it has been announced that this will reduce to 17 per cent. from 1 April 2020.

An individual shareholder who is resident but not domiciled in the UK who claims the remittance basis of taxation (or who is automatically within the remittance basis) and whose shares are not situated in the UK, will be liable to UK capital gains tax only to the extent that chargeable gains made on the disposal of shares are remitted or deemed to be remitted to the UK. Provided the Company's share register is situated outside the UK, broadly the shares should be considered to be located abroad for capital gains tax purposes, but dealings in the shares on the Main Market or through depositary interest programmes located in the UK may give rise to remitted profits which would therefore be taxable.

Interaction with Israeli Tax

According to the Israeli income tax regulations (tax exemption for foreign residents on capital gains from the sale of a security), a non-Israeli resident's capital gain from the sale of a security traded on an exchange abroad shall be exempt if (i) the capital gain does not belong to the non-Israeli resident's permanent business in Israel; (ii) the security was acquired by the non-Israeli resident after the company's shares had been listed for trading on a stock exchange outside of Israel, and (iii) if the seller is a corporation, less than 25 per cent. of its voting rights or the rights to its profit or income are held by, or attributed to, Israeli resident shareholders.

Under Israeli law, non-Israeli resident companies will not be entitled to such exemption if (i) an Israeli resident has a controlling interest, directly or indirectly, alone, together with another (as defined above), or together with another Israeli resident, of 25 per cent. or more in one or more of the means of control in such non-Israeli resident company; or (ii) Israeli residents are the beneficiaries of or are entitled to 25 per cent. or more of the revenues or profits of such non-Israeli resident company, whether directly or indirectly.

In any event, UK residents disposing of shares in the Company could rely on the UK Treaty which exempts UK resident shareholders from Israeli tax on capital gains where the capital gains are subject to tax in the UK and are not attributable to a permanent establishment of the shareholder in Israel. However, where shares in the Company are, for example, held by a UK resident that qualifies under UK law for a tax exemption upon the disposal of such shares, it is uncertain that the ITA will accept that the benefits of the UK Treaty apply as the capital gain might be deemed by the ITA not to have been subject to UK tax. Therefore the exemption contained within Israeli domestic law may be the only protection available from Israeli taxation.

4. STAMP DUTY AND STAMP DUTY RESERVE TAX

The following comments are intended as a guide to the general Israeli and UK stamp duty and stamp duty reserve tax (**"SDRT"**) position and do not relate to persons such as market makers, brokers, dealers, intermediaries, persons connected with voluntary arrangements, depositary receipt arrangements or clearance services or persons who enter into sale and repurchase transactions in respect of the Ordinary Shares for whom special rules apply.

Stamp duty on issue

No UK stamp duty or SDRT should be payable on any issue of the Ordinary Shares.

Subsequent transfers

For Ordinary Shares held outside CREST, no UK stamp duty should generally be payable, provided that any instrument of transfer is not executed in the UK and is kept outside the UK and does not relate to any property situated, or to any matter or thing done or to be done in the UK. If this is not the case, the transfer of the Ordinary Shares will generally be subject to UK stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer, rounded up, where necessary, to the nearest £5). The purchaser usually pays the UK stamp duty.

Provided that any Ordinary Shares held outside CREST are not registered in a register kept in the UK by or on behalf of the Company nor are paired with shares issued by a body corporate incorporated in the UK, no UK SDRT should be generally chargeable in respect of any agreement to transfer Ordinary Shares. If this is not the case, the agreement to transfer the Ordinary Shares will generally be subject to UK SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. UK SDRT is, in general, payable by the purchaser.

No stamp duty or SDRT should arise on the transfer of the Ordinary Shares to the Depositary (or one of its subsidiaries), to hold in its capacity as Depositary, nor on the subsequent issue by the Depositary to that transferor of Depositary Interests ("**DIs**") representing the underlying Ordinary Shares in an uncertificated form (which are eligible for settlement through CREST).

Assuming that transfers of DIs operate without any written instrument or transfer or written assignment to transfer, no stamp duty will be payable by the purchasers of such DIs. The Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations (SI 1999/2383) further provides that where the relevant company is not centrally managed and controlled in the UK, the underlying relevant securities are not kept and maintained on a register in the UK by, or on behalf of the relevant company and the relevant security is of the same class, in the company concerned, as securities that are either listed on a recognised stock exchange (under section 841 Income and Corporation Taxes Act 1988) or are of a type that would have been treated as so listed immediately before 28 November 2001, such DIs will be excluded from being chargeable securities and as a result no SDRT will be payable by the purchasers of those DIs.

There is no stamp duty in Israel on an issuance or transfer of shares.

PART XV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names appear on page 49 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND SHARE CAPITAL

The Company was incorporated and registered in the State of Israel on 26 May 2008 as a private limited liability company with the name Investsoft Ltd. and with the registered number 514142140. On 18 June 2012, the Company changed its name to Plus500 Ltd.

The principal legislation under which the Company operates is the Companies Law and the regulations made thereunder. The liability of the Shareholders is limited.

The Company's registered office and principal place of business is at MATAM Building 25 Haifa, 3190500, Israel. The Company's telephone number is +972 482 41120.

An application has been made for all the issued Ordinary Shares to be admitted to trading on the Main Market and the Company's ISIN number is IL0011284465 and SEDOL number BBT3PS9. The issued Ordinary Shares are currently trading on AIM, and trading on AIM will cease immediately upon Admission on the Main Market. The Ordinary Shares are not otherwise listed on or traded, and no application has been or is being made for the admission of the Ordinary Shares to listing or trading, on any other stock exchange or securities market.

The issued share capital of the Company at the date of this Prospectus is NIS 1,148,883.77 divided into 114,888,377 Ordinary Shares of NIS 0.01 each (including 980,146 Ordinary Shares held by the Company as treasury shares), all of which are fully paid or credited as fully paid. Since incorporation, the changes in the authorised and issued share capital of the Company were as follows:

- on incorporation, the issued share capital of the Company consisted of NIS 3,287.02 divided into 328,702 Ordinary Shares;
- on 28 May 2008, 1,386,106 Ordinary Shares were issued pursuant to a placing at NIS0.01 per Ordinary Share;
- on 26 August 2008, 600,004 Ordinary Shares were issued at US$0.46666 per Ordinary Share;
- on 8 December 2010, 22,202 Ordinary Shares were issued following exercise of an option granted by the Company to Naschitz, Brandes & Co. (currently known as Naschitz, Brandes, Amir & Co.);
- on 23 June 2013, 98,154,588 Ordinary Shares were issued pursuant to the declaration and distribution of a share dividend of 42 new Ordinary Shares for each Ordinary Share in issue as at 23 June 2013;
- on 24 July 2013, 14,396,775 Ordinary Shares were issued pursuant to a placing and admission to trading on AIM; and
- between 5 June 2017 and 18 December 2017, 980,146 Ordinary Shares were purchased by the Company pursuant to share buyback programmes and are held in treasury.

Save as disclosed below:

- no Ordinary Shares are held by, or on behalf of, any member of the Group;
- no Ordinary Shares have been issued otherwise than as fully paid;

- the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;
- the Company has given no undertaking to increase its share capital; and
- no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of shares for cash. The Company has incorporated provisions analogous to s.561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in s.1166 Companies Act) within the Articles which provisions apply to the issue of shares in the capital of the Company for cash except to the extent such provisions have been disapplied.

There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year as at the Latest Practicable Date.

All the Ordinary Shares have been marketed and are available to the public.

3. ARTICLES OF ASSOCIATION AND COMPANIES LAW

The Articles and Companies Law include provisions to the following effect:

Objects

Section 18 of the Companies Law provides that the objects of a company are to be set forth in the articles of association. The Articles provide that the Company's objectives are to carry on any business and perform any act which is not prohibited by law.

Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands:

- every shareholder who is present in person has one vote;
- every proxy present who has been duly appointed by one or more shareholders entitled to vote on the resolution(s) has one vote; and
- a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one shareholder entitled to vote on the resolution and either (i) is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

Subject to any rights or restrictions attached to any shares, on a poll every shareholder who is entitled to vote on the resolution and who is present in person or by proxy shall have one vote for every share of which he is the holder.

Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

A shareholder shall not be entitled to vote unless all calls or other sums payable by him in respect of his shares in the Company have been paid.

The instrument appointing a proxy (and the power of attorney or other authority, if any, under which such instrument has been signed) shall be delivered to the Company not less than forty-eight (48) hours (not counting non-Business Days) before the time fixed for the meeting.

Dividends

Subject to the Companies Law and the Articles, the Board may with an ordinary majority vote of the Board, declare and cause the Company to pay such dividend as may appear to the Board to be justified by the profits of the Company. Pursuant to the Companies Law, the payment of dividends may be made only out of (i) the Company's accumulated retained earnings or (ii) the Company's earnings accrued over the two most recent years, as evidenced by the Company's audited or reviewed financial statements, whichever is greater (the **"Profits Test"**), and in either case provided that there is no reasonable concern that the dividend will prevent the Company from satisfying its current or foreseeable obligations as they become due (the **"Solvency Test"**). If the Company does not comply with the Profits Test, it can only distribute a dividend with prior Israeli court approval, and provided the court is satisfied that the Company is in compliance with the Solvency Test.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares held at the date so appointed by the Company.

Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

All dividends unclaimed may be invested or otherwise made use of by the Board for the benefit of the Company until claimed.

Upon the determination of the Board, the Company may cause:

- any monies, investments or other assets forming part of, *inter alia*, the undivided profits of the Company to be capitalised and distributed to shareholders, or to be applied in paying up unissued shares on behalf of such shareholders which shall then be distributed accordingly; and
- such distribution or payment to be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

Pre-emption rights

The Company shall be permitted to allot, on a non-pre-emptive basis, up to 11,488,838 Ordinary Shares, representing 10 per cent. of the Company's issued ordinary share capital as at the date of the 2017 Annual General Meeting of Shareholders, until 11 August 2018 or, if earlier, the conclusion of the 2018 annual general meeting of the Company.

Notwithstanding the above, subject to the terms of any Special Resolution of the Company to the contrary, the Company shall not, subject to certain other exceptions, allot its Ordinary Shares to any person for cash unless it shall first have made an offer to each shareholder to allot to him on the same or more favourable terms a proportion of those shares which is as nearly as practical equal to the proportion in nominal value of the Ordinary Shares held by him on the record date for any such allotment of the aggregate of all such shares, but subject to such exclusion or other arrangements as the Board may deem necessary or expedient in their exclusive discretion to deal with fractional entitlements or legal or practical problems under the laws or the requirements of any regulatory authority or stock exchange in any jurisdiction.

Distribution of assets on a winding-up

On a winding-up, the liquidator may, with the authority of a Special Resolution of the Company and any other sanction required by law, divide among the shareholders in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders in proportion to their respective holdings. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of shareholders as he may determine. The liquidator shall not, however (except with the consent of the shareholder concerned) distribute to a shareholder any asset to which there is attached a liability or potential liability for the owner.

Depositary interests

The directors of the Company are authorised to make such arrangements as they think fit in order to enable shares to be represented by and exchanged for depositary interests which are eligible to be held and transferred in uncertificated form in a computer-based system.

Transfer of shares

No transfer of shares which are in certificated form shall be registered unless a proper instrument of transfer (in any usual form or in any form approved by the Board) has been submitted to the Company (or its transfer agent), executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

Variation of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by the Articles, may be modified or abrogated by a resolution of the shareholders, subject to the consent in writing of the holders of at least a majority of the issued shares of such class or the adoption of a resolution passed at a separate general meeting of the holders of the shares of such class. The quorum at any such meeting (other than an adjourned meeting) is two or more persons holding or representing by proxy not less than a majority of the issued shares of the class in question.

Share capital

Subject to the Companies Law and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.

Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

Subject to the Companies Law and to the Articles, the Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

Subject to the Companies Law and to the Articles, the Company may purchase its own shares provided that the purchase has first been authorised by a resolution of the shareholders of the Company.

General meetings

The Board may convene a general meeting whenever it thinks fit. Pursuant to the Companies Law, shareholders have a statutory right to requisition a general meeting in certain circumstances. The Company must hold an annual general meeting of shareholders each calendar year no later than 15 months from the last annual meeting, at a time and place determined by the Board. A special meeting may be convened at the request of two directors, one quarter of the directors in office, or by written request of one or more shareholders holding at least five per cent. of the Company's issued share capital and one per cent. of the voting rights or one or more shareholders holding at least five per cent. of the voting rights.

Pursuant to the Companies Law, a general meeting shall be called on not less than 21 days' or 35 days' notice (depending on the matters on the agenda for the meeting).

The quorum for a general meeting is two or more shareholders present in person or by proxy and entitled to vote who hold at least 25 per cent. of the voting power of the Company.

The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

Appointment of directors

The number of directors shall not exceed seven but shall not be less than four.

Subject to the Companies Law and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy (other than External Directors who are elected in the manner specified in paragraph 2 of Part X (Directors, Senior Management and Corporate Governance) of this Prospectus). The Board may also appoint any person who is willing to act as a director, subject to the Companies Law and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is re-elected during such meeting.

Under the Companies Law, a person may not serve as an External Director if at the date of the person's election or within the prior two years the person is a relative of a Companies Law Controller of the Company, or the person or their relatives, partners, employers, supervisors or entities under the person's control, have or have had any affiliation with the Company or with a Companies Law Controller or relatives of a Companies Law Controller, and, in the case of a company without a Companies Law Controller or a shareholder holding at least 25 per cent. of the voting rights, any affiliation, at the time of election, to the chairman of the Board, the chief executive officer, an interested party or the Company's chief finance officer. For these purposes, a "Companies Law Controller" is a shareholder who has the ability to direct the Company's actions, including any shareholder holding 25 per cent. or more of the voting rights if no other shareholder owns more than 50 per cent. of the voting rights in the Company, and an "interested party" is defined as a holder of five per cent. or more of the Company's shares or voting rights, any person or entity that has the right to nominate or appoint at least one of the Company's directors or its chief executive officer, or any person who serves as one of the Company's directors or as its chief executive officer. In addition, a person may not serve as an External Director if: (i) at the time of appointment as External Director, the person or their relatives, partners, employers, supervisors or entities under the person's control, maintains a business or professional relationship with the Company, even if such relationship is not on a regular basis, other than a negligible business or professional relationship; or (ii) in the case of a person who has served as an External Director to the Company in the past, such person received compensation in their capacity as an External Director during such period in excess of the amounts permitted by the Companies Law and regulations thereunder.

A person may also not serve as an External Director if that person's position or other business activities create, or may create, a conflict of interest with the person's service as a director or may otherwise interfere with the person's ability to serve as a director.

If at the time any External Director is to be elected all members of the Board that are not Companies Law Controllers or their respective relatives are of the same gender, then the External Director to be elected must be of the other gender.

The Board may appoint any director (other than an External Director) to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

Remuneration of Directors

The total fees paid to each non-executive director for their services shall be determined by the Remuneration Committee, the Board and by the Company by ordinary resolution. With the prior approval of the Remuneration Committee, the Board and the Shareholders, the Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

The salary or remuneration of executive directors shall be determined by the Remuneration Committee, the Board and the Company by ordinary resolution and may be either a fixed sum of money or may in whole or in part be subject to performance conditions or otherwise determined by the Remuneration Committee, the Board and the Shareholders in accordance with the Company's Remuneration Policy for Directors and executives.

Retirement and removal of Directors

At each annual general meeting of the Company, each Director (excluding the External Directors) shall retire from office. Each such Director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

Without prejudice to the provisions of the Companies Law, the Company may by ordinary resolution remove any director (other than an External Director) before the expiration of his period of office and may appoint by ordinary resolution another director in his place.

Directors' interests

The Companies Law provides that any transaction of the Company with a director or any transaction of the Company in which a director has a Personal Interest requires the approval of the Board. The transaction must not be approved if it is not in the best interests of the Company. If the transaction is an extraordinary transaction (as defined below), then Audit Committee approval is required in addition to Board approval. If the transaction concerns exculpation, indemnification, insurance or compensation of the director, then the approvals of the Remuneration Committee, the Board and the Shareholders by way of ordinary resolution are required (in that order). The Companies Law defines an "extraordinary transaction" as a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities.

A director who has a Personal Interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a Personal Interest in the matter or if such director is invited by the chair of the Board, the Audit Committee or the Remuneration Committee, as applicable, to present the matter being considered. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a Personal Interest in the transaction, Shareholder approval, by way of ordinary resolution, is also required.

A "Personal Interest" as defined by the Companies Law, includes a Personal Interest of any person in an act or transaction of the Company, including a Personal Interest of his relative or of a corporation in which that person or a relative of that person is a 5 per cent. or greater shareholder, a holder of 5 per cent. or more of the voting rights, a director or general manager, or in which he or she has the right to appoint at least one director or the general manager, and includes shares for which the person has the right to vote pursuant to a power of attorney. A "Personal Interest" does not apply to a Personal Interest solely arising from holding shares in the Company.

Powers of the Directors

The business of the Company shall be managed by the Board.

Subject to the provisions of the Companies Law and save as set out below, the Board may, at its discretion, cause the Company to borrow or secure the payment of any sum of money for the purpose of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions as it deems fit, including by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking or the whole or any part of the property of the Company, both present and future, including its uncalled or called but unpaid capital for the time being. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the Group (excluding any Group company's borrowings which are owed to another Group company) less cash deposited shall not, without an ordinary resolution of the Company, exceed a sum equal to: (i) three times the aggregate of the amount paid up on the Company's issued share capital and the total amount standing to the credit of the reserves of the Group after adding or deducting any balance standing to the credit or debit of the Group's profit and loss accounts; or (ii) any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

Directors' and officers' indemnity, insurance and exculpation

Indemnification. Under the Companies Law and the Articles, the Company may indemnify a director or executive officer for any of the following liabilities or expenses that he or she may incur due to an act performed or failure to act in their capacity as a director or officer of the Company:

- monetary liability imposed on the director or officer in favour of a third party in a judgment, including a settlement or an arbitral award confirmed by a court;
- reasonable legal costs, including attorneys' fees, expended by a director or officer (a) as a result of an investigation or proceeding instituted against the director or officer by a competent authority, provided that such investigation or proceeding concludes without the filing of an indictment against the director or officer and either: no financial liability was imposed on the director or officer in lieu of criminal proceedings, or a financial liability was imposed on the director or officer in lieu of criminal proceedings with respect to an alleged criminal offence that does not require proof of criminal intent or (b) in connection with an administrative enforcement proceeding or a financial sanction (without derogating from the generality of the foregoing, such expenses will include a payment imposed on the director in favour of an injured party as set forth in s.52(54)(a)(1)(a) of Israel's Securities Law, 5728-1968 (the "**Securities Law**"), and expenses that the director or officer incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses such as attorneys' fees); and
- reasonable legal costs, including attorneys' fees, expended by the director or for which the director or officer is charged by a court:
  - in an action brought against the director or officer by the Company, on behalf of the Company or on behalf of a third party;
  - in a criminal action from which the director or officer is acquitted; or
  - in a criminal action in which the director or officer is convicted of a criminal offence which does not require proof of criminal intent.

The Company may indemnify a director or officer in respect of these liabilities either in advance of an event or following an event. If the Company undertakes to indemnify a director or officer in advance of an event, the indemnification, other than legal costs, must be limited to foreseeable events in light of the Company's actual activities when the Company undertook such indemnification, and reasonable amounts or standards, as determined by the Board.

Insurance. Under the Companies Law and the Articles, the Company may obtain insurance for directors and officers against liabilities incurred in their capacity as directors or officers (as the case may be). These liabilities include:

- a breach of duty of loyalty;
- any monetary liability imposed on the director in favour of a third-party;
- a breach of duty of care to the Company or a third-party; and
- reasonable legal costs, including attorneys' fees, incurred by the director or officer as a result of an administrative enforcement proceeding instituted against him (without limiting from the generality of the foregoing, such expenses will include a payment imposed on the director or officer in favour of an injured party as set forth in s.52(54)(a)(1)(a) of the Securities Law, and expenses that the director incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses such as attorneys' fees).

Exemption. Under the Companies Law and the Articles, the Company may exculpate a director or officer from a breach of duty of care in advance of that breach. The Articles provide for exculpation both in advance or retroactively, to the extent permitted under Israeli law. The Company may not exculpate a director or officer from a breach of duty of loyalty towards the Company or from a breach of duty of care concerning dividend distribution or a purchase of the Company's shares by the Company or other entities controlled by the Company.

Limitations on Exemption, Insurance and Indemnification. Under the Companies Law, the Company may indemnify or insure a director or officer against a breach of duty of loyalty only to the extent that the director or officer acted in good faith and had reasonable grounds to assume that the action would not prejudice the Company. In addition, the Company may not indemnify, insure or exempt a director or officer against a breach of duty of care if committed intentionally or recklessly (excluding mere negligence), or committed with the intent to derive an unlawful personal gain, or for a fine, civil fine, financial sanction or forfeit levied against the director or officer.

Pursuant to the Companies Law, exculpation of, procurement of insurance coverage for, and an undertaking to indemnify or indemnification of, the Company's directors or officers must be approved by the Remuneration Committee, the Board and the Company by way of ordinary resolution.

The Articles allow the Company to indemnify, exempt and insure the directors and officers to the fullest extent permitted under the Companies Law. The Board and the shareholders have resolved to indemnify the Directors and the company secretary to the extent permitted by law and by the Articles for liabilities not covered by insurance, that are of certain enumerated types of events, and subject to limitations as to amount. The Company has also entered into indemnity letters with each of the Directors.

Branch register

The Company may, subject to and in accordance with the provisions of the Companies Law, cause a branch register or registers of shareholders to be kept at any place outside of Israel as the Board may think fit and, subject to all applicable requirements of law, the Board may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such a branch register or registers.

Shareholder notification requirements

Where a shareholder acquires, becomes aware he has acquired or ceases to have an interest (directly or indirectly) in three per cent. or more of the issued shares of the Company (a "**Notifiable Interest**") they must notify the Company without delay. In addition, where a shareholder has a Notifiable Interest before and after an acquisition or disposal of an interest in shares, and their interest increases or decreases through any single percentage, they must notify the Company without delay.

A Notifiable Interest does not include interests in Dormant Shares (as defined in the Companies Law), but does include a right to subscribe for or convert into shares and any legal or beneficial interests, including a right to control directly or indirectly the exercise of any right conferred by the holding of shares of the Company.

In making such a notification, the shareholder must provide details of the price and amount of the shares involved, the nature of the transaction, the nature and extent of his interest in the transaction and the date on which he acquired or ceased to hold a Notifiable Interest or on which his Notifiable Interest increased or decreased through any single percentage.

The Board may, by written notice, require any person whom the Board knows or has reasonable cause to believe to be interested in shares in the Company to indicate whether or not it is the case, and to provide the particulars of their interest ("**Disclosure Notice**"). The Disclosure Notice shall require any information in response to be given as soon as reasonably practicable but no later than three business days and the Disclosure Notice will remain in effect until the Board determine otherwise and notify the shareholder accordingly.

Where a shareholder is in default of a Disclosure Notice, and remains so following the period provided for in the notice, the shares in respect of which he is in default ("**Default Shares**") will be subject to certain restrictions, provided those shares represent at least one per cent. Of the issued and outstanding shares of the Company. The restrictions include forfeiting his entitlement to dividends in respect of the Default Shares until he complies with the Disclosure Notice, although the amount of the dividend that would otherwise be due will be set aside and become payable upon his compliance. Further, he will be restrained from transferring the Default Shares, or any rights in them (other than on arm's length terms as outlined below).

The restrictions shall cease to apply the trading day after the earlier of due compliance to the satisfaction of the Board with the Disclosure Notice, receipt by the Company of a notice that the shareholding has been sold to a third party under an arm's length transfer, or a decision of the Board to waive those restrictions in whole or in part. However, the restrictions shall not restrict the shareholder's ability to sell or agree to sell the shares under an arm's length transfer.

Where a Disclosure Notice is served on the Depositary which fails to comply for any reason, the restrictions described above will only be implemented in relation to those Default Shares in respect of which there has been a failure, and not in relation to any other shares held by the Depositary.

Permitted Acquisition

At any time when the Company is not subject to the UK City Code on Takeovers and Mergers (the "**City Code**") or any successor regime (whether statutory or non-statutory) governing the conduct of takeovers and mergers in the UK, a person must not, in circumstances in which that person would thereby effect, or purport to effect, a Prohibited Acquisition (as defined below):

- acting by himself or with persons determined by the "Independent Directors" (who for the purposes of the Articles are defined as the directors of the Company who are free from any business or other relationship which could materially interfere with the exercise of their independent judgment which may include an executive director of the Company if the majority of the independent directors who are non-executive directors of the Company consider such person to satisfy the criteria set out in this definition) to be acting in concert (as defined in the City Code) seek to acquire shares (whether by a series of transactions over a period of time or otherwise), which carry 30 per cent. or more of the voting rights attributable to the shares in the capital of the Company; or
- acting by himself or with persons determined by the Independent Directors to be acting in concert, hold not less than 30 per cent. but not more than 50 per cent. of the voting rights attributable to the shares in the capital of the Company and seek to acquire, by himself, or with persons determined by the Independent Directors to be acting in concert, additional shares which, taken together with the shares held by the persons determined by the Independent Directors to be acting in concert with him, increases his voting rights,

except as a result of a Permitted Acquisition.

An acquisition will be a "**Permitted Acquisition**" if: (i) the Independent Directors consent to the acquisition (even if, in the absence of such consent, the acquisition would be a Prohibited Acquisition (as defined below)), (ii) the acquisition is made in circumstances in which the City Code, if it applied to the Company, would require an offer to be made in accordance with rule 9 of the City Code as if it so applied, and such offer is made and not subsequently withdrawn (iii), the acquisition arises from the repayment of a stock borrowing arrangement (on arms' length commercial terms), (iv) the acquisition is made by the Depositary, or (v) as a consequence of the Company redeeming or purchasing its own shares, there is a resulting increase in the percentage of the voting rights attributable to the shares held by a person or persons determined by the Independent Directors to be acting in concert and such an increase would constitute a breach of the limits set out in provisions of the Articles.

An acquisition is a "**Prohibited Acquisition**" if rules 4, 5, 6, or 8 of the City Code would, in whole or in part, apply to the acquisition if the Company were subject to the City Code and the acquisition were made (or if not yet made, would if and when made be) in breach of or would otherwise not comply with rules 4, 5, 6 or 8 of the City Code.

Subject to applicable law, any shares obtained in violation of the above share control limits (and which do not constitute a Permitted Acquisition) will automatically become Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer. The Board also has various rights where it believe the 30 per cent. threshold has or may have been broken, including requiring a shareholder to provide such information as the Board considers appropriate.

Power to sell excess shares and implement the City Code

Where the Independent Directors have reason to believe that any acquisition has taken place in contravention of the above provisions, the Independent Directors may do all or any of the following:

- require any member or persons appearing or purporting to be interested in any shares in the Company to provide such information as the Independent Directors consider appropriate to determine any of the matters set out below, including without limitation the issue of a Disclosure Notice;
- make such determinations under the provisions referred to in this paragraph as they think fit;
- determine that some or all of the shares held by such members which carry more than 30 per cent. of the voting rights attributable to the shares in the Company ("**Excess Shares**") must be sold;
- determine that some or all of the Excess Shares will not carry any voting right or right to any dividends or other distributions from a particular time for a definite or indefinite period; or
- take such other action as they think fit for the purposes of the provisions referred to in this paragraph, including prescribing rules (not inconsistent with the Articles), setting deadlines for the provision of information, drawing adverse inferences where information requested is not provided, making final or interim determinations, executing documents on behalf of a member, converting any Excess Shares held in uncertified form into certificated form or vice versa, paying costs and expenses out of proceeds of sale and changing any decision or determination or rule previously made.

The Independent Directors have full authority to determine the application of the above provisions, including as to the deemed application of the whole or any part of the City Code. Such authority includes all discretion that vested in the UK Panel of Takeovers and Mergers as if the whole or any part of the City Code applied including without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control. Any resolution or determination of, or decision or exercise of any discretion or power by, the Independent Directors under or pursuant to the above provisions shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Independent Directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Article. Any one or more of the Independent Directors may act as the attorney of any member in relation to the execution of documents and other actions to be taken for the sale of Excess Shares.

4. CREST AND DIs

CREST is a paperless settlement procedure enabling securities to be transferred otherwise than by written instrument. Securities issued by non-UK companies such as the Company, cannot be held or transferred into the CREST system. However, to enable investors to settle and pay for interests in Ordinary Shares through the CREST System, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.

On Admission, CREST members will continue to be able to hold and transfer interests in the Ordinary Shares within CREST, pursuant to the existing depositary interest arrangements established by the Company. The Ordinary Shares are not themselves admitted to CREST, instead the Depositary issues DIs in respect of the underlying Ordinary Shares. The DIs are independent securities constituted under English law which are held and transferred through the CREST system. DIs will have the same ISIN as the underlying Ordinary Shares and do not require a separate listing on the London Stock Exchange.

5. EMPLOYEES

The table below sets out the average number of persons employed by the Group during each of the financial years referred to below.

Financial year (each ended on 31 December)	*Average number of persons, including executive directors, employed by the Group*
2015	113 employees
2016	214 employees
2017	321 employees

Organisational structure

As at as at Latest Practicable Date the Group had 423 employees.

The employees, contractors and consultants are split into the following divisions and locations:

Location	*Division*	*Number of employees*
Israel (HQ)	Finance	14
Israel (HQ)	Marketing	26
Israel (HQ)	Operations	47
Israel (HQ)	R&D	36
Israel	Regulatory and finance	6
Australia	Regulatory and finance	13
Cyprus	Regulatory and finance	18
UK	Regulatory and finance	13
South Africa	Regulatory and finance	5
Singapore	Regulatory and finance	7
Bulgaria	Operations and finance	238

6. DIRECTORS AND SENIOR MANAGERS

Details of the Directors and the Senior Managers, their business addresses and functions in the Company are set out in Part X (*Directors, Senior Management and Corporate Governance*) of this Prospectus.

Current and previous directorships

Save in respect of the Group, the Directors hold or have held the directorships of the companies and/or are or were partners of the partnerships specified opposite their respective names below within the past five years prior to the date of this Prospectus.

Director	*Current appointments*	*Former appointments held in the previous five years*
Penny Judd	TruFin Plc Alpha Financial Markets Consulting plc Team17 Group Plc	None
Asaf Elimelech	Plus500UK Ltd. Plus500AU Pty. Ltd. Plus500IL Ltd. Plus500BOS EOOD Plus500SA (Pty) Ltd Asaf Elimelech – Consultation and Regulation Services Ltd	None
Charles Fairbairn	Amberley Publishing Holdings Ltd Crunchwell Services Ltd Finsaga Ltd New Finsaga Ltd My-Wardrobe Ltd Reedbest Properties Ltd	Growth Capital Invest Ltd
Daniel King	Business Advisors Ltd Daniel King Consulting Services Ltd Profitero Limited	Blue Leaf Capital Ltd TickBack Limited
Elad Even-Chen	Plus500CY Ltd. Plus500BOS EOOD Plus500SG Pte. Ltd. Plus500SA (Pty) Ltd Elad Even-Chen Consulting Services Ltd	None
Gal Haber	Wavesoft	None
Steven Baldwin	Elegant Hotels Group Plc TruFin Plc Orchard Lane Developments Limited	Panmure Gordon & Co. Ltd

Directors' and Senior Managers' Shareholdings

The interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial) as at the Latest Practicable Date were as follows:

Director	*Number of Ordinary Shares*	*Percentage of issued share capital as at the Latest Practicable Date*
Penelope Judd[1]	21,062	0.02%
Gal Haber[2]	3,005,457	2.64%
Asaf Elimelech[3]	–	–
Elad Even-Chen[4]	–	–
Charles Fairbairn[5]	90,000	0.08%
Daniel King	24,140	0.02%
Steven Baldwin	–	–
Total	3,140,659	2.76

1 The shares are registered in the name of Ms. Judd's spouse, Mr. Julian Judd.

2 The shares are registered in the name of Wavesoft Ltd, a company wholly owned by Mr. Haber.

3 Mr. Elimelech does however hold share appreciation rights.

4 Mr. Elad Even-Chen does however hold share appreciation rights.

5 87,000 shares are registered in the name of Wealth Nominees Ltd for Mr. Michael Charles Fairbairn and 3,000 shares are registered in the name of Wealth Nominees Ltd for Mr. Fairbairn's spouse, Ms. Susan Fairbairn.

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.

The Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

Save as disclosed in this paragraph no Director has any interests (beneficial or non-beneficial) in the share capital of the Company.

Transactions with Directors and Senior Managers

No Director or Senior Manager has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

Directors' Service Agreements and Letters of Appointment

Each of the executive Directors provides their services to the Company pursuant to a service contract. The services of Gal Haber are provided to the Company pursuant to a service contract entered into by the Company with Wavesoft. In addition, Mr. Haber has entered into an appointment letter with the Company. Details of this service contract and letter of appointment are set out below.

The Company entered into a service contract dated 23 June 2013 with Wavesoft (as amended on 8 May 2014, 27 May 2015, 10 May 2016 and 13 December 2016) (the "**Wavesoft Service Agreement**") pursuant to which Wavesoft makes Mr. Haber available to the Company to provide Managing Director services. In consideration for the services, Wavesoft is entitled to a fee of NIS1,250,000 (plus VAT) per annum, reviewed annually. Wavesoft is also entitled to participate in a bonus scheme on terms decided by the Remuneration Committee. Either party may terminate the agreement by giving 60 days' written notice. The Company may terminate the agreement with immediate effect for cause. On termination of the agreement, the Company will be obliged to pay any accrued but unpaid fees. On termination, Wavesoft has agreed that it shall not, and shall procure that Mr. Haber shall not, for a period of 12 months solicit or canvas the custom of, or deal with, any customer or potential customer. In addition, Wavesoft shall not, and shall procure that Mr. Haber shall not, for a period of 12 months, engage in business activity that competes with the Group in a country or geographical area in which the Group's offering is available. Mr. Haber was appointed as an executive Director of the Company by letter of appointment dated 26 June 2013. The letter of appointment contains a non-compete and non-solicitation covenant from Mr. Haber on similar terms to that contained in the service contract. The letter of appointment does not provide for Mr. Haber to be paid any separate fees for the executive director services. The service contract and letter of appointment also contain provisions which restrict the disclosure of confidential information and protect the Group's intellectual property rights.

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 Regulation Services Ltd. ("**AE CRS**"). In addition, Mr. Elimelech has entered into an appointment letter with the Company. Details of this service contract and letter of appointment are set out below.

The Company entered into a service contract dated 15 December 2016 with AE CRS (as amended on 16 January 2018) (the "**AE CRS Service Agreement**") pursuant to which AE CRS makes Mr. Elimelech available to the Company to provide Chief Executive Officer services. In consideration for these services, AE CRS is entitled to a fee of NIS1,100,000 (plus VAT) per annum, reviewed annually. AE CRS is also entitled to participate in a bonus scheme on terms decided by the Remuneration Committee. Either party may terminate the AE CRS Service Agreement by giving 180 days' written notice. The Company may terminate the AE CRS Service Agreement with immediate effect for cause. On termination of the AE CRS Service Agreement, the Company will be obliged to pay any accrued but unpaid fees. On termination, AE CRS has agreed that it shall not, and shall procure that Mr. Elimelech shall not, for a period of 12 months solicit or canvas the custom of, or deal with, any customer or potential customer of the Group. In addition, AE CRS shall not, and shall procure that Mr. Elimelech shall not, for a period of 12 months, engage in business activity that competes with the Group in a country or geographical area in which the Group's offering is available.

As approved by the Company's shareholders in January 2018, Mr. Elimelech is entitled to an annual bonus for the year ending 31 December 2018 as determined by the Remuneration Committee based on the following criteria: (i) the size of increase in the Company's consolidated Net Profit in 2018 as compared to the Net Profit Threshold (which shall equal 75 per cent of the Company's consolidated Net Profit in 2017); (ii) the scope of regulatory licence-related activity pursued by the Company and its subsidiaries; and (iii) the discretion of the Remuneration Committee. In December 2016, it was approved by the Company's shareholders that Mr. Elimelech be granted a share appreciation right in the amount of NIS1,200,000 vesting after two years from the date of grant, with a maximum payout amount of NIS4,800,000. Mr. Elimelech was also granted, effective 31 December 2017, a further share appreciation right in the amount of NIS2,000,000 vesting after two years from the date of grant, with a maximum payout amount of NIS8,000,000.

Mr. Elimelech was appointed as an Executive Director of the Company by a letter of appointment dated 15 December 2016. The letter of appointment contains a non-compete and non-solicitation covenant from Mr. Elimelech on similar terms to those contained in the AE CRS Service Agreement. The letter of appointment does not provide for Mr. Elimelech to be paid any separate fees for the Executive Director services. The AE CRS Service Agreement and letter of appointment also contain provisions which restrict the disclosure of confidential information and protect the Group's intellectual property rights.

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. ("**EEC CS**"). In addition, Mr. Even-Chen has entered into an appointment letter with the Company. Details of this service contract and letter of appointment are set out below.

The Company entered into a service contract dated 15 December 2016 with EEC CS (as amended on 16 January 2018) (the "**EEC CS Service Agreement**") pursuant to which EEC CS makes Mr. Even-Chen available to the Company to provide Chief Financial Officer services. In consideration for the services, EEC CS is entitled to a fee of NIS1,100,000 (plus VAT) per annum, reviewed annually. EEC CS is also entitled to participate in a bonus scheme on terms decided by the Remuneration Committee. Either party may terminate the EEC CS Service Agreement by giving 180 days' written notice. The Company may terminate the EEC CS Service Agreement with immediate effect for cause. On termination of the EEC CS Service Agreement, the Company will be obliged to pay any accrued but unpaid fees. On termination, EEC CS has agreed that it shall not, and shall procure that Mr. Even-Chen shall not, for a period of 12 months solicit or canvas the custom of, or deal with, any customer or potential customer of the Group. In addition, EEC CS shall not, and shall procure that Mr. Even-Chen shall not, for a period of 12 months, engage in business activity that competes with the Group in a country or geographical area in which the Group's offering is available.

As approved by the Company's shareholders in January 2018, Mr. Even-Chen is entitled to an annual bonus for the year ending 31 December 2018 as determined by the Remuneration Committee based on the following criteria: (i) the size of increase in the Company's consolidated Net Profit in 2018 as compared to the Net Profit Threshold (which shall equal 75 per cent of the Company's consolidated Net Profit in 2017); (ii) the scope of regulatory licence-related activity pursued by the Company and its subsidiaries; and (iii) the discretion of the Remuneration Committee. In December 2016, it was approved by the Company's shareholders that Mr. Even-Chen be granted a share appreciation right in the amount of NIS1,200,000 vesting after two years from the date of grant, with a maximum payout amount of NIS4,800,000. Mr. Even-Chen was also granted, effective 31 December 2017, a further share appreciation right in the amount of NIS2,000,000 vesting after two years from the date of grant, with a maximum payout amount of NIS8,000,000.

Mr. Even-Chen was appointed as an Executive Director of the Company by a letter of appointment dated 15 December 2016. The letter of appointment contains a non-compete and non-solicitation covenant from Mr. Even-Chen on similar terms to those contained in the EEC CS Service Agreement. The letter of appointment does not provide for Mr. Even-Chen to be paid any separate fees for the Executive Director services. The EEC CS Service Agreement and letter of appointment also contain provisions which restrict the disclosure of confidential information and protect the Group's intellectual property rights.

Each of the Non-Executive Directors has a letter of appointment with the Company, details of which are set out below:

Daniel King was appointed as a Non-Executive Director of the Company on 23 June 2013 and by a letter of appointment dated 26 June 2013. The fee payable for Mr King's services as a Non-Executive Director is £54,450 gross per annum. Charles Fairbairn was appointed as the senior Non-Executive Director of the Company on 7 July 2013 and by a letter of appointment dated 17 July 2013. The fee payable for Mr. Fairbairn's services as the senior Non-Executive Director is £75,000 gross per annum. Penny Judd was appointed as a Non-Executive Director of the Company on 28 June 2016 and as Chairman of the Board on 1 June 2017. The fee payable for Ms Judd's services as Non-Executive Director and Chairman is £90,000 gross per annum. Steven Baldwin was appointed a Non-Executive Director of the Company on 1 June 2017 and by a letter of appointment dated 12 April 2017. The fee payable for Mr Baldwin's services as a Non-Executive Director is £54,450 gross per annum. All fees paid to Non-Executive Directors are subject to annual review.

The appointments of Ms. Judd, Mr. Haber, Mr. Elimelech, Mr. Even-Chen and Mr. Baldwin are until the Company's next annual general meeting (at which they are subject to re-election), unless terminated on two months' notice by either the Company or the non-executive Director. Subject to the Companies Law, the appointments of Mr. Fairbairn and Mr. 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). Mr. Fairbairn and Mr. King were re-elected for a further three year term effective from the annual general meeting on 10 May 2016.

Save as disclosed in this paragraph, 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 12 months without payment of compensation.

The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors (directly or indirectly) by any member of the Group in respect of the financial year ended 31 December 2017 was approximately US$5,961,680.

There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this Prospectus.

Directors' Remuneration

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 31 December 2017, the Directors were remunerated as set out below:

Name	*Fees (US$)*	*Benefits*	*Bonuses[1]*	*Total (exc. pension)*	*Pension*	*Total (inc. pension)*	*Date of joining the group*
Director							
Alastair Gordon[2]	45,042	–	–	–	–	45,042	26.6.2013
Penny Judd[3]	96,758	–	–	–	–	96,758	28.6.2016
Gal Haber	347,252	–	–	–	–	347,252	26.5.2008
Charles Fairbairn	85,497	–	–	–	–	85,497	7.7.2013
Daniel King	70,071	–	–	–	–	70,071	26.6.2013
Asaf Elimelech	337,223	–	2,435,153	–	–	2,772,376	1.10.2012
Elad Even-Chen	340,538	–	2,163,272	–	–	2,503,810	15.12.2011
Steven Baldwin[4]	40,874	–	–	–	–	40,874	1.6.2017

(1) Amount includes share appreciation rights that have vested.

(2) Mr Gordon resigned from the Board in June 2017.

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

(4) Mr Baldwin joined the Board in June 2017.

No amounts have been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors or Senior Managers.

As disclosed above, in December 2016, it was approved by the Company's shareholders that each of Mr. Elimelech and Mr. Even-Chen be granted a share appreciation right in the amount of NIS1,200,000 vesting after two years from the date of grant, with a maximum payout amount of NIS4,800,000. Mr. Elimelech and Mr. Even-Chen were also each granted, effective 31 December 2017, a further share appreciation right in the amount of NIS2,000,000 vesting after two years from the date of grant, with a maximum payout amount of NIS8,000,000.

Senior Management remuneration

The aggregate of the remuneration paid and benefits in kind (including bonus payments) paid by any member of the Group to the Senior Managers in respect of the financial year ended 31 December 2017 was approximately £1.9 million.

Conflicts of interest

Some of the Directors are directors of, and/or shareholders in, one or more of the subsidiary companies. These directorships and shareholdings potentially give rise to a conflict of interest between the relevant Directors' duties to the Company and their duties to, or interests in, the relevant subsidiary company.

For example, if the Group has offered to provide capital to one of its subsidiary companies on which one of its Directors sits on the board, that Director owes certain duties to the subsidiary company in his capacity as a director when that company considers such offer, such as the duty to avoid conflicts of interest, to exercise independent judgment and to promote the success of the company for the benefit of its members as a whole. It may be that in seeking to exercise such duties, this conflicts with the same duties that Director owes to the Company. In such circumstances, the Director will ensure that he declares all such conflicts in accordance with the Companies Act and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof. In the same way, if a Director is a shareholder in a subsidiary company to which the Group is considering providing capital, it may be that his Personal Interests are potentially in conflict with the duties that Director owes to the Company in considering the merits of the provision of such capital. Again, such Director will fully declare all such conflicts of interest in accordance with the Companies Act to the extent the relevant subsidiary is a UK company and may be required to abstain from taking part in the discussions and/or voting on any decisions to be taken in respect thereof.

Save as referred to above, there are no actual or potential conflicts of interest between the Directors' duties to the Company and their private interests and other duties.

Directors' Confirmations

Save as disclosed in this paragraph 6, none of the Directors or Senior Managers at any time within the last five years:

- had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty; or
- been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order; or
- been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or
- has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7. SIGNIFICANT SHAREHOLDERS

As at the Latest Practicable Date, the Company is aware of the following persons who, directly or indirectly, were interested in three per cent. or more of the Company's capital or voting rights:

	On Admission	
Shareholders	*Number of Ordinary Shares*	*Percentage of issued share capital as at the Latest Practicable Date*
Brightech Investments	11,375,000	9.99%
JPMorgan Chase & Co	8,114,996	7.12%
Sparta24 Ltd[1]	8,491,539	7.45%
Odey Asset Management	6,701,433	5.88%
Old Mutual	4,962,850	4.36%
Investec Group	4,491,241	3.94%

1 The Founders (which includes Alon Gonen whose shares are registered in the name of Sparta24 Ltd) agreed with Liberum not to sell any further Ordinary Shares for a period of 180 days following the completion of the sale of Ordinary Shares on 2 March 2018.

Immediately after Admission, none of the Shareholders set out above has or will have different voting rights.

8. RELATED PARTY TRANSACTIONS

Other than as set out in Note 12 of the financial statements for the financial year ended 31 December 2015, Note 12 of the financial statements for the financial year ended 31 December 2016 and Note 12 of the financial statements for the financial year ended 31 December 2017 at Parts A, B and C respectively of Part XIII – Historical Financial Information of this Prospectus, no related party transactions have been entered into by the Company.

9. SIGNIFICANT SUBSIDIARIES

The Company is the holding company of the Group. The following table contains details of the Company's material subsidiaries:

Company name	*Principal activity*	*Country of incorporation*	*Percentage ownership*	*Proportion of voting power*
Plus500UK Ltd	Provider of online platform for trading of	England and Wales	100	100
Plus500CY Limited	Provider of online platform for trading of CFDs	Cyprus	100	100
Plus500AU Pty Ltd	Provider of online platform for trading of CFDs	Victoria, Australia	100	100
Plus500IL Ltd	Provider of online platform for trading of CFDs	Israel	100	100
Plus500SG Pte. Ltd.	Provider of online platform for trading of CFDs	Singapore	100	100
Plus500BOS EOOD[1]	Provider of operational services for trading of CFDs	Bulgaria	100	100
Plus500SA (Pty) Ltd	Provider of online platform for trading of CFDs	South Africa	100	100

1 This company commenced its operations in July 2016 which include the review of customer documentation and responding to customer email communications.

10. PRESENTATION OF STATISTICAL DATA AND OTHER INFORMATION

The auditors of the Company for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 have been Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel. PwC Israel have audited the annual consolidated financial statements for the Company which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

11. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of Group within the two years immediately preceding the date of this Prospectus and/or have been entered into by members of the Group and contain provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this Prospectus:

The Introduction Agreement

The Company and Liberum entered into an introduction agreement on 20 June 2018 pursuant to which the Company appointed Liberum as sponsor for the purposes of Admission and to carry out the duties of a sponsor as provided by Chapter 8 of the Listing Rules. The agreement contains customary indemnities given by the Company to Liberum.

The Sponsorship Agreement

The Company and Club Atlético de Madrid, S.A.D. ("**Atlético Madrid**") extended a sponsorship agreement in November 2017 ("**Sponsorship Agreement**") under which the Company is entitled to advertise and promote itself as the main sponsor of Atlético Madrid for the 2018/2019, 2019/2020 and 2020/2021 seasons. For the duration of the Sponsorship Agreement the Company will be the sole and exclusive sponsor of Atlético Madrid in the online trading sector, save that this exclusivity does not apply to local and international banks and insurance companies.

12. LITIGATION

There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

13. ENVIRONMENTAL ISSUES

As far as the Directors are aware, there are no material environmental issues that may affect the Group or the Group's utilisation of its tangible assets.

14. WORKING CAPITAL

The Company is of the opinion that the working capital available to the Group is sufficient for the present requirements of the Group, that is, for at least twelve months from the date of this Prospectus.

15. NO SIGNIFICANT CHANGE

In the three month period ended 31 March 2018, the Group's revenues were US$297.3 million, an increase of 284 per cent. compared to the three month period ended 31 March 2017 (Q1 2017: US$77.5 million) and representing 68 per cent. of the total revenues for the financial year ended 31 December 2017. The Group's revenues for the three month period ended 31 March 2018 were over 120 per cent. higher than the previous record quarter. The Group's EBITDA for this three-month period was US$237.3 million, which represented an increase of 418 per cent. compared to the three month period ended 31 March 2017 and over 90 per cent. of the total EBITDA for the financial year ended 31 December 2017.

The increase in revenues was derived from the significant increase in Active and New Customers. As stated in the Company's preliminary results issued in February 2018, there was significant customer growth in Q4 2017, which continued in Q1 2018, thereby contributing more fully to revenues. The Group had 218,187 Active Customers in the three month period ended 31 March 2018, a 204 per cent. increase compared to the three month period ended 31 March 2017 (Q1 2017: 71,827) and 72,960 New Customers, a 228 per cent. increase compared to the three month period ended 31 March 2017 (Q1 2017: 22,210), which reflects the Group's competitive advantage to react quickly to dynamic market developments, and market volatility.

AUAC decreased by 45 per cent. from US$907 in Q1 2017 to US$502 in Q1 2018 due to continued efficiency in marketing spend. ARPU increased by 26 per cent. from US$1,080 in Q1 2017 to US$1,363 in Q1 2018 due to an increased level of customers' activity.

The Company published the above unaudited financial information in respect of the three month period ended 31 March 2018 on 1 May 2018.

The very strong start of Q1 2018, which was referred to in the Company's preliminary announcement of 14 February 2018 and the trading update of 1 May 2018, and its continued strong trading in Q2 2018, which was reported in the Company's trading update of 7 June 2018, mainly resulted from a period of relative volatility in the markets and high levels of trading in the Company's cryptocurrency CFDs offering. The Board believes that these factors encouraged high levels of New Customer sign ups and therefore record trading in Q1 2018. While market conditions have returned to more normal levels in Q2 2018, trading has nevertheless been materially ahead of management expectations.

Other than as set out above, there has been no significant change in the financial or trading position of the Group since 31 December 2017, the date to which the audited financial information for the Group in Part XIII (Historical Financial Information) of this Prospectus was prepared.

16. THE DISCLOSURE AND TRANSPARENCY RULES

From Admission and for so long as the Company has any of its share capital admitted to trading on the Main Market of the London Stock Exchange, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules (as amended and varied from time to time) of the FCA Handbook.

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company if the percentage of its voting rights which he holds (directly or indirectly) reaches, exceeds or falls below five per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 50 per cent. and 75 per cent). The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding. The Articles provide that a Shareholder is required to make a notification to the Company without delay if the percentage of its voting rights which he holds (directly or indirectly) reaches, exceeds or falls below three per cent.

Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.

17. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

As the Company is incorporated in Israel, it is subject to Israeli law and the Takeover Code will not apply to the Company, except to the extent share control limits are incorporated into the Articles, as described in Part XV (*Additional Information*).

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, 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 the purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, has voted against the merger.

The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger. If there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

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

Under the Companies Law, in the event the Company enters into a merger or an "arrangement" under the Companies Law (as described above), the provisions of the Companies Law and the Articles with respect to tender offers (as described below and in section 3 above under the heading "*Permitted Acquisition*") do not apply.

Articles and Special Tender Offer

As set forth in Section 3 above under the heading "*Permitted Acquisition*"), the Articles contain a prohibition on a person acquiring shares, whether by himself or in concert, which, when aggregated with shares held by his concert parties, carry 30 per cent. or more of the voting rights attributable to the shares of the Company except as a result of a "Permitted Acquisition".

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

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

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

If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

Full Tender Offer

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

- the purchaser acquires more than 95 per cent. of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; or
- the purchaser acquires more than 98 per cent. of the company's shares or a particular class of shares;

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

18. GENERAL

The auditors of the Group are Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel. The auditors are Certified Public Accountants (Isr.) and registered auditors.

Liberum has given, and has not withdrawn, its written consent to the issue of this Prospectus with the inclusion herein of its name and references to it in the form and context in which they appear.

The Company confirms that where information in this Prospectus has been sourced from a third party, the source of this information has been provided, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Bryan Cave Leighton Paisner LLP and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission:

- the Articles;
- the Directors' service contracts and letters of appointment referred to in paragraph 6 (Directors and Senior Managers) of Part XV (Additional Information) of this Prospectus;
- the written consents referred to in paragraph 18 of Part XV (Additional Information) of this Prospectus;
- the reports from financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 set out in Part XIII (Historical Financial Information) of this Prospectus; and
- this Prospectus.

In addition, copies of this Prospectus are available on the Company's website www.plus500.co.uk, or through the National Storage Mechanism (NSM) website located at www.morningstar.co.uk/uk/nsm.

Dated: 20 June 2018

PART XVI

DEFINITIONS

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

"Admission"	the admission of the Ordinary Shares of the Company to trading on the premium listing segment of the official list and to trading on the Main Market;
"AIM"	AIM, the market of that name operated by the London Stock Exchange;
"AIM Rules"	the AIM Rules for Companies;
"Articles"	the articles of association of the Company;
"ASIC"	the Australian Securities and Investments Commission;
"AU$"	Australian dollars, the lawful currency of Australia;
"Audit Committee"	the audit committee of the Board, the function and composition of which are as set out in Part X – (*Directors, Senior Management and Corporate Governance*) of this Prospectus;
"Belgian FSMA"	the Belgian Financial Services and Markets Authority;
"Board"	the board of directors of the Company from time to time or a duly constituted committee thereof;
"Companies Act"	the Companies Act 2006 of England and Wales;
"Companies Law"	the Israel Companies Law 5759-1999;
"Company" or **"Plus500"**	Plus500 Ltd, registered number 514142140, whose registered office is at Matam Building 25, Haifa, 3190500, Israel;
"Controlling Shareholder"	has the meaning given to it in the Listing Rules;
"CREST"	the system for the paperless settlement of share transfers and the holding of uncertificated shares operated by Euroclear UK & Ireland Limited;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time);
"Custodian"	a person nominated by the Depositary to hold Ordinary Shares on their behalf under the terms of the Deed Poll, being Link Market Services Trustees Limited;
"CySEC"	the Cyprus Securities and Exchange Commission;
"Deed Poll"	the deed poll executed in favour of the holders of Ordinary Shares wishing to use CREST;
"Depositary"	Link Market Services Trustees Limited;
"DI" or **"DIs"**	depositary interests issued by the Depositary in respect of Ordinary Shares which depositary interests may be held in, and transferred through, CREST as more particularly described in paragraph 4 of Part XV (*Additional Information*) of this Prospectus;

"Directors"	the directors of the Company as at the date of this Prospectus whose names are set out on page 49 of this Prospectus and "Director" means any one of them;
"Disclosure Committee"	the disclosure committee of the Board, the function and composition of which are as set out in Part X – (*Directors, Senior Management and Corporate Governance*) of this Prospectus;
"Dividend Policy"	the Company's agreed policy as to the payment of dividends to Shareholders as described in paragraph 7 of Part VII (*Information on the Group)* of this Prospectus;
"Eastern Europe"	the geographical region of eastern Europe which includes of Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia;
"EEA"	the European Economic Area from time to time, which (as at the date of this Prospectus) consists of Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Republic of Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom and for the purposes of Plus500UK, Gibraltar with which there is a special arrangement;
"EMIR"	the European Market Infrastructure Regulation EU 648/2012;
"EPC"	elective professional client in accordance with Section II of Annex II of MiFID II (and, in respect of Plus500UK, as implemented in the FCA Rules in COBS 3.5.3);
"ESMA"	the European Securities and Markets Authority;
"Euro" or **"€"**	the official currency of certain of the member states of the European Union;
"Europe"	Eastern Europe and Western Europe;
"External Director"	a director who complies with certain independence criteria prescribed by the Companies Law and is subject to certain duties and responsibilities prescribed by the Companies Law, details of which are set out in Part VIII (*Directors, Senior Management and Corporate Governance*) of this Prospectus;
"FCA"	the Financial Conduct Authority or, where the context requires or a reference relates to the period prior to 1 April 2013, its predecessor, the Financial Services Authority;
"FCA Rules"	the rules of the FCA made under FSMA together with (from 3 January 2018) the directly applicable provisions of the MiFID II legislation that apply to Plus500UK as an FCA authorised firm;
"FMA"	The Financial Markets Authority in New Zealand;
"Founders"	Mr Elad Ben Izhak, Mr Omer Elazari, Mr Alon Gonen, Mr Gal Haber and Mr Shlomi Weizmann and **"Founder"** means any one of them;
"FSCA"	The Financial Sector Conduct Authority in South Africa;

"FSMA"	the Financial Services and Markets Act 2000, as amended;
"Group"	the Company and its subsidiaries;
"IFRS"	International Financial Reporting Standards;
"ISA"	the Israel Securities Authority;
"IPO"	the admission of the Company's Ordinary Shares to trading on AIM which became effective on 24 July 2013;
"KPI"	key performance indicator;
"Latest Practicable Date"	18 June 2018, being the latest practicable date prior to the publication of this Prospectus;
"Listing Rules"	the Listing Rules of the UKLA;
"London Stock Exchange"	London Stock Exchange plc;
"Main Market"	the London Stock Exchange's main market for listed securities;
"MAR"	the Market Abuse Regulation 596/2014/EU;
"MAS"	the Monetary Authority of Singapore;
"Member State"	member state of the EEA;
"MiFID I"	the Markets in Financial Instruments Directive (2004/39/EEC);
"MiFID II legislation"	the package of measures set out in the Markets in Financial Instruments Directive II (2014/65/EU), the Markets in Financial Instruments and Amending Regulation (600/2014/EU) and the implementing legislation and regulations;
"NIS"	New Israeli Shekel, the lawful currency of Israel;
"Nomination Committee"	the nomination committee of the Board, the function and composition of which are as set out in Part X – (*Directors, Senior Management and Corporate Governance*) of this Prospectus;
"Ordinary Shares"	ordinary shares of NIS 0.01 each in the capital of the Company;
"Personal Interest"	has the meaning given by the Companies Law, which includes a personal interest of any person in an act, omission to act, or transaction of the Company;
"Plus500AU"	Plus500AU Pty Ltd, ACN 153 301 681 whose registered office is at Level 39, Australia Square Tower, 264-278 George Street, Sydney, NSW, Australia;
"Plus500BG"	Plus500BOS EOOD, UIC 204014309, whose registered office is at 90 Tsarigradsko Shose Blvd., fl. 14, Mladost residential area, 1784 Sofia, Bulgaria;
"Plus500CY"	Plus500CY Limited, registered number 333382 whose registered office is at 1, Siafi Street, Porto Bello Business & Cultural Centre, Business Suites 1 - 4, Office 104, CY-3042 Limassol;

"Plus500SA"	Plus500SA (Pty) Ltd, registered number 2017/250330/07 whose registered office is at 4th floor, The Citadel, 15 Cavendish Street, Claremont, Cape Town, 7708, South Africa;
"Plus500SG"	Plus500SG Pte. Ltd., registered number 201422211Z whose registered office is at #18-07 Millenia Tower, 1 Temasek Avenue, Singapore, 039192, Singapore;
"Plus500UK"	Plus500UK Ltd, registered number 07024970 whose registered office is at 78 Cornhill, London EC3V 3QQ;
"Prospectus"	this document;
"PwC UK"	PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom;
"PwC Israel"	Kesselman & Kesselman, Certified Public Accountants (Isr.), a member firm of PricewaterhouseCoopers International Limited, Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel;
"Registrar"	Link Market Services (Guernsey) Limited;
"Regulatory and Risk Committee"	the regulatory and risk committee or the Board, the function and composition of which are as set out in Part X – (*Directors, Senior Management and Corporate Governance*) of this Prospectus;
"RIS"	the Regulatory Information Service;
"Remuneration Committee"	the remuneration committee of the Board, the function and composition of which are as set out in Part X – (*Directors, Senior Management and Corporate Governance*) of this Prospectus;
"Rest of the World"	the geographical regions of the world not including Australia, New Zealand, South Africa, Israel, Singapore, Eastern Europe, Western Europe or the Restricted Jurisdictions;
"Restricted Jurisdictions"	the jurisdictions from which the Group is unable legally to accept customers generally or without a licence, including, without limitation, Belgium, Canada, China, India, Japan, Russia and the United States;
"S$" or **"SGD"**	the Singapore dollar, the lawful currency of Singapore;
"Senior Managers"	the senior managers of the Company as at the date of this Prospectus whose names are set out on page 115 of this Prospectus and "**Senior Manager**" means any one of them and they are each part of "**Senior Management**";
"Shareholder"	a holder of an Ordinary Share;
"Short Selling Regulation"	Regulation (EU) No 236/2012 of the European Parliament on short selling and certain aspects of credit default swaps;
"Skilled Person"	a person appointed to make a report to the FCA, PRA or Bank of England as required by s.166 or 166a of FSMA (Reports by Skilled Persons) who must be nominated or approved by the FCA and appearing to them to have the necessary skills to produce a report on the matter concerned;

"Sparta"	Sparta24 Ltd. registered number 514295096, which is a private Israeli company wholly-owned by Alon Gonen;
"Special Resolution"	a resolution passed by a majority of not less than three-fourths of the votes of those Shareholders who (being entitled so to do) vote in person or by proxy at the General Meeting at which such resolution is proposed;
"Sterling" "£" and **"p"** or **"pence"**	United Kingdom pounds and pence sterling, respectively, the lawful currency of the United Kingdom;
"Takeover Code"	the City Code on Takeovers and Mergers;
"UK" or **"United Kingdom"**	the United Kingdom of Great Britain and Northern Ireland;
"UK Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council in September 2014;
"UKLA"	the United Kingdom Listing Authority;
"US$" or **"USD"**	the United States dollar, the lawful currency of the United States;
"US" or **"United States"**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
"UTCCR"	the Unfair Terms in Consumer Contracts Regulations 1999;
"Wavesoft"	Wavesoft Ltd, registered number 514294537, which is a private Israeli company wholly owned by Gal Haber; and
"Western Europe"	the geographical region of western Europe which includes Andorra, Austria, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Republic of Ireland, Isle of Man, Italy, Liechtenstein, Luxembourg, Malta, Monaco, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

PART XVII

GLOSSARY

The following definitions apply throughout this Prospectus, unless the context otherwise requires:

"Active Customer"	a customer who makes at least one trade using real money on the Trading Platform in a given financial period;
"Android"	a Linux-based operating system designed primarily for touchscreen mobile devices such as smartphones and tablet computers;
"APIs"	application programming interfaces, a set of routines, protocols, and tools for building software applications;
"app"	an application for use on an operating system such as iOS or Android;
"ARPU"	average revenue per user, which is calculated by dividing the Group's total trading income by the number of Active Customers in a given financial period;
"AUAC"	average user acquisition cost, which is calculated by dividing the total advertising and affiliate expenses in a period by the number of New Customers in a given financial period;
"beta"	a financial indicator of whether an investment is more or less volatile than the market;
"CFD"	a contract for difference;
"CPA"	an online advertising pricing model where the advertiser pays for each specified action;
"dealing spread"	the difference between the buy price and the sell price of a CFD;
"demo account"	a demonstration account on the Trading Platform which enables potential customers to experience the Trading Platform without depositing funds with the Group;
"ETF"	exchange traded fund;
"existing customer"	a customer who has opened an account with the Group;
"iOS"	a mobile operating system designed primarily for touchscreen mobile devices such as smartphones and tablet computers; developed and distributed by Apple Inc.;
"long position"	the buying of a CFD in anticipation that the relevant underlying instrument will rise in value;
"Marketing Machine"	the marketing software designed and developed by the Group which enables it to monitor the effectiveness of online marketing campaigns and inform marketing spend;
"mobile"	mobile phones, tablets (iOS, Android, Windows and Surface) and wearable devices, including the Apple Watch;
"New Customer"	a customer who has deposited real money into his or her own account for the first time in a given financial period;

"online"	unless the context otherwise requires, shall include communications using the internet, mobile and tablet;
"pip"	a measure of change in the exchange rate for a currency pair;
"real money"	currency (other than funds received by way of bonus);
"short position"	the sale of a CFD in anticipation that the relevant underlying instrument will fall in value;
"Stop Loss Orders"	market order to sell a security when it reaches a certain market price, which is often used as a protection against a serious loss on a position in a security;
"Storage Area Network"	a network which provides access to consolidated, block level data storage; and
"Trading Platform"	the Group's electronic trading platform facility (together with any programs, services, upgrades, bug fixes and updates if any, and the underlying code thereto) available through multiple operating systems including Windows, smartphones (iPhone, Android and Windows Phone), tablets (iPad, Android and Surface), Apple Watch and web browsers.

Perivan Financial Print (250339)