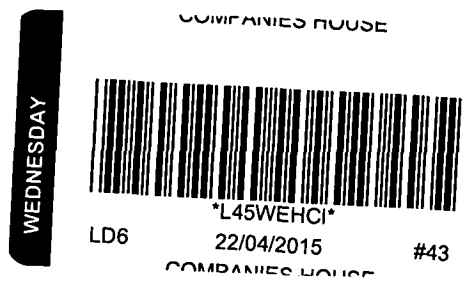


PLUS500UK LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2014

Company Registration Number 07024970



PLUS500UK LTD
TABLE OF CONTENTS
YEAR ENDED 31 DECEMBER 2014

CONTENTS	PAGE
Officers and professional advisers	1
Strategic report	2
The directors' report	4
Independent auditors' report to the members	6
Statement of comprehensive income	8
Statement of financial position	9
Notes to the financial statements	10

PLUS500UK LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 DECEMBER 2014

Directors	Mr. Y Lavi Mr. A L Welsh Mr. J D H Griffiths
Company secretary	CPA Audit Corporate Services Limited Becket House 36 Old Jewry London EC2R 8DD
Business address	45 Moorfields London EC2Y 9AE
Registered office	Becket House 36 Old Jewry London EC2R 8DD
Auditor	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

PLUS500UK LTD
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2014

Principal activities, business review and future prospects

Plus500UK Limited (the "Company") was incorporated on September 2009 and became authorised and regulated by the Financial Conduct Authority ("FCA", previously known as the Financial Services Authority) on June 2010. Our parent Company, Plus500 Ltd, has been listed on the UK Alternative Investment Market (AIM) since 2013.

The principal activity of the Company is online trading in Contracts for Differences ("CFDs") delivered through a proprietary Trading Platform via the web and other electronic channels. The Company enables retail customers to trade CFDs in more than 50 countries and in over 31 languages. The trading platform is accessible from multiple operating systems (Windows PCs, web browsers, smartphones & tablets (iOS, Android and Windows Mobile)).

The Company generates its revenues principally from the dealing spreads on the Trading Platform. Additionally, the Company generates revenues from overnight premiums, effectively a financing charge, on certain positions held by customers overnight, and gains (offset by losses) on the Company's positions with customers. The Company acts as principal and hedges its exposure with its parent company to eliminate market risk and to make sure it is not exposed to material losses.

The Company offers trading in over 2,000 different underlying global financial instruments comprising equities, exchange-traded funds ("ETFs"), foreign exchange, indices and commodities. During 2014 we broadened our offering with more than 400 additional CFD products and became the second largest CFD provider in the UK, according to Investment Trends' report, July 2014. The directors believe that CFDs will continue to be the financial product of choice for customers with appetite for risk and that simplicity is the key to a successful customer experience.

Plus500 group ("Plus500" or the "Group") intends to continue investing heavily in marketing to attract higher value retail clients, while the proprietary technology will enable it to maintain the margins and profitability. Plus500 announced a new business partnership with Liga BBVA champions, Atlético Madrid, one of the most successful football clubs in Europe. This relationship will allow Plus500 to increase its brand awareness and expand its customer base globally. The Company's geographical client portfolio composition will continue to align with the Group's strategic plan.

2014 is the first year in which the Company has adopted FRS 102 with the impact of this transition on the financial statements disclosed in note 23. From the financial aspect, we are happy to report a pre tax profit of £14,036,670 in 2014, compared with £6,426,895 in 2013. The profit and loss account for the period is set out on page 8. Dividends totalling £4,500,000 (£0.75p per share) were paid during the year, compared with £4,200,000 in 2013 (£0.70p per share). The Company remains debt free with growing cash resources and is in a strong position to achieve success.

PLUS500UK LTD
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2014

Key performance indicators (KPIs)

The directors of the Company believe that analysis using key performance indicators for the Company, other than the ones highlighted above, is not necessary or appropriate for an understanding of the performance or position of the Company's business. The KPIs which our parent company, Plus500 Ltd., is using to manage the Group's operation are discussed in its annual report.

Risk management

The principal activities of the Company outlined in note 2 gives rise to financial risks in the ordinary course of business. Whilst risk management is performed at a group level, the Company undertakes activities to mitigate its risks. The Company's Internal Capital Assessment Process (ICAAP) provides an ongoing assessment of the risks the Company believes have the potential to have a significant detrimental impact on its financial performance.

The board sets the strategy and policies for the management of these risks and assigns the management and monitoring of these risks as appropriate. The main financial risks arising from the Company's business activities are identified as market risk, operational risk, capital risk, liquidity risk and credit risk. The management of these risks is explained in note 5.

The Company is required to comply with a number of regulatory requirements in different jurisdictions. Over the past year, the Company has been working with leading regulatory advisers to ensure its processes and systems are able to support the Company's operational growth whilst maintaining regulatory compliance. We see our regulatory environment as very important to the continuing success of the Company and the Group. In addition, in early 2015, the Company made a series of senior hires in the UK office and looks forward to continuing to enhance its operations.

PLUS500UK LTD.

Signed on behalf of the directors

.....
Y Lavi, Director

Approved by the directors on

.....
9/4/15

PLUS500UK LTD
THE DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2014

The directors present this report and the financial statements of the Company for the year ended 31 December 2014.

Results and dividends

The profit for the year, after taxation, amounted to £11,017,890. Dividends totalling £4,500,000 (£0.75p per share) were paid during the year.

Directors

The directors who served the Company during the year were as follows:

A L Welsh – appointed 9 October 2009

Y Lavi – appointed 18 November 2013

J Griffiths - appointed 19 March 2014 as a non-executive director

Directors' responsibilities

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PLUS500UK LTD
THE DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2014

The directors confirm that:

- as far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Strategic report

In accordance with section 414C(11) of the Companies Act 2006 the Company has chosen to include a Strategic Report as required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Auditor

PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors

PLUS500UK LTD.

.....
Y Lavi - Director

Approved by the directors on

.....
9/9/15

PLUS500UK LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PLUS500UK LIMITED

YEAR ENDED 31 DECEMBER 2014

Independent auditors' report to the members of Plus500UK Ltd

Report on the financial statements

Our opinion

In our opinion, Plus500UK Ltd.'s financial statements (the "Financial Statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Plus500UK Ltd.'s Financial Statements comprise:

- the Statement of Financial Position as at 31 December 2014;
- the Statement of Comprehensive Income for the year then ended; and
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

PLUS500UK LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PLUS500UK LIMITED (continued)

YEAR ENDED 31 DECEMBER 2014

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the Financial Statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Financial Statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Steven Linnegar

Steven Linnegar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

10 April 2015

PLUS500UK LTD
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2014

	Note	2014 £	2013 £
Turnover	9	24,292,976	12,803,386
Distribution costs	10	(7,652,606)	(4,751,879)
Administrative expenses	11	(1,906,658)	(767,930)
Operating profit		14,733,712	7,283,577
Interest receivable and similar income		47,366	63,952
Finance costs and similar charges	14	(744,408)	(920,634)
Profit on ordinary activities before taxation		14,036,670	6,426,895
Taxation	15	(3,018,780)	(1,494,433)
Total comprehensive income for the year		11,017,890	4,932,462
New ordinary share capital subscribed		-	5,000,000
Equity dividends		(4,500,000)	(4,200,000)
Net addition to shareholders' funds		6,517,890	5,732,462
Opening shareholders' funds		8,159,209	2,426,747
Closing shareholders' funds		<u>14,677,099</u>	<u>8,159,209</u>

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 10 to 22 form part of these financial statements.

PLUS500UK LTD
STATEMENT OF FINANCIAL POSITION
YEAR ENDED 31 DECEMBER 2014
Company Registration Number 07024970

	Note	2014 £	2013 £
Current assets			
Cash and cash equivalents		30,915,376	22,204,127
Debtors	16	<u>5,951,770</u>	<u>7,979,286</u>
		36,867,146	30,183,413
Creditors: Amounts falling due within one year	17	<u>(22,190,047)</u>	<u>(22,024,205)</u>
Net assets		<u>14,677,099</u>	<u>8,159,208</u>
Capital and reserves			
Called-up share capital	19	6,000,000	6,000,000
Retained earnings	20	<u>8,677,099</u>	<u>2,159,208</u>
Total equity		<u>14,677,099</u>	<u>8,159,208</u>

The financial statements on pages 8 and 9 were approved by the board of directors on 9/1/15 and signed on its behalf by:

PLUS500UK LTD.

.....
 Mr Y Lavi

The notes on pages 10 to 22 form part of these financial statements.

PLUS500UK LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2014

1. General information

Plus500UK Ltd (the Company) is a company limited by shares, incorporated in England and Wales. Its registered office is Becket House, 36 Old Jewry, London EC2R 8DD.

2. Principal business activity

The principal activity of the Company is online trading in Contracts for Differences ("CFDs") delivered through a proprietary Trading Platform via the web and other electronic channels.

3. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Plus500 Ltd, a company incorporated in Israel and quoted on the FTSE AIM (PLUS), by virtue of its 100% shareholding in the Company.

Copies of Plus500 Ltd's consolidated financial statements can be obtained from Plus500 Ltd's Secretary at Building 25, Matam, Haifa 31905, Israel.

4. Summary of significant accounting policies

Going Concern

The Financial Statements have been prepared on a going concern basis.

Statement of compliance

The individual Financial Statements of the Company have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Companies Act 2006.

2014 is the first year in which the Company has adopted FRS 102 with the impact of this transition on the Financial Statements disclosed in note 23.

Basis of accounting

The Financial Statements have been prepared under the historical cost convention using the accrual basis, as modified by the revaluation of certain financial assets and financial liabilities which were measured at fair value through profit or loss.

Functional and presentation currency

The Financial Statements are presented in Pounds sterling which is the Company's functional currency.

Related party transactions

The Company has taken advantage of the exemption under FRS 102 section 33.1A Related Party Disclosures to not disclose transactions with related parties on the basis that all related party transactions are with members of the group and disclosed within the group financial statements.

Transactions with related parties other than with members of the group are disclosed within note 7.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

4. **Summary of significant accounting policies** (continued)

Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Plus500 Ltd, includes the Company's cash flows in its own consolidated financial statement.

Turnover

Turnover is measured at net consideration received / paid on all realised positions and net fair market value of open CFD positions with clients and all other counterparties, including overnight charges and credits.

Distribution costs

Distribution costs are classified as those costs directly associated with the completion of CFD trades by the Company.

Pension costs

The Company contributes to a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Pension costs are recognised when they become payable to the pension scheme on behalf of the employee as a result of contractual obligations.

Corporation Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) **Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The Company's 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

(ii) **Deferred tax**

There were no deferred taxes recognised by the Company during the year.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

4. **Summary of significant accounting policies** (continued)

Provisions

Provisions are recognised when the Company has a legal or constructive obligation at the reporting date as a result of a past event, it is probable that the Company will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account and included within finance costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash held at financial institutions and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk to changes in value.

Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value, like goodwill and plant, property and equipment, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Judgements and key sources of estimation uncertainty

Other than those disclosed in these notes, no significant judgements have had to be made by management in preparing these Financial Statements.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

4. **Summary of significant accounting policies** (continued)

Financial Instruments

The Company enters into both basic financial instruments, such as trade and other accounts receivable and payable, and complex financial instruments, such as contracts for differences.

A financial asset or financial liability will only be recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) **Basic financial instruments**

Basic financial instruments, as defined in FRS 102 section 11, will initially be recognised at the transaction price (including transaction costs). Subsequent measurement will be at the amortised cost of the financial instrument using the effective interest rate method.

(ii) **Other financial instruments**

Other financial instruments (complex financial instruments), as defined in FRS 102 section 12, will initially be recognised at fair value (including transaction costs). Subsequent measurement will be at the fair value of the financial instrument recognising changes in fair value as profits or losses.

(iii) **Equity instruments**

The Company recognises the issue of shares and other equity instruments as equity when it issues those instruments and another party is obliged to provide cash or other resources to the Company in exchange for the instruments.

On the issue of shares or other equity instruments, the Company measures the equity instruments at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments, in accordance with FRS 102 section 22.

Equity instruments are not re-measured following initial recognition.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

5. **Risks and risk management**

The principal activities of the Company outlined in note 2 gives rise to financial risks in the ordinary course of business. Whilst risk management is performed at a group level, the Company undertakes activities to mitigate its risks. The Company's Internal Capital Assessment Process (ICAAP) provides an ongoing assessment of the risks the Company believes have the potential to have a significant detrimental impact on its financial performance.

The board of directors sets the strategy and policies for the management of these risks and assigns the management and monitoring of these risks as appropriate.

The primary financial risks arising from the Company's business activities are identified as market risk, operational risk, capital risk, liquidity risk and credit risk. These risks are detailed below.

Market risk

Market risk is the risk that the value of a financial instruments will change due to adverse moves in market factors.

The Company hedges all of its positions back-to-back with its parent company (Plus500 Ltd) and therefore the Company is not exposed to any market risk.

Operational risk

Operational risk is the risk of financial loss due to inadequate or failed internal processes and systems. It can also arise from human error or external events that the Company cannot influence.

The management of the Company have designed and implemented a system of internal controls to manage, rather than eliminate, operational risk. These internal controls are reviewed on an annual basis or sooner if specific events dictate.

Capital risk

The Company 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 throughout the business (Pillar 2). The Company 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.

Liquidity risk

Liquidity risk is the risk that the Company's will be unable to make the required payments on its debt obligations as and when they fall due. the Company's liquidity risk will increase as the level of cash held on deposit with banks and financial institutions decreases relative to its obligations.

The Company, at all times, holds such funds or make arrangements to have access to such funds enabling it to meet all of its obligations in a timely manner. Due to the high level of cash and cash equivalent reserves held by the Company in comparison to its liabilities, no additional sources of funds are currently deemed necessary.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

5. Risks and risk management (continued)

	Amounts payable on demand £	Amounts payable within 1 year £	Total £
2014			
Financial derivatives with clients	1,619,720	-	1,619,720
Financial derivatives with group undertakings	2,932,322	-	2,932,322
Other amounts owed to group undertakings	-	12,410,733	12,410,733
Trade creditors	-	3,893,494	3,893,494
Corporation tax payable	-	1,141,755	1,141,755
Accruals and deferred income	-	192,023	192,023
Other creditors	-	-	-
Total	<u>4,552,042</u>	<u>17,638,005</u>	<u>22,190,047</u>
2013			
Financial derivatives with clients	2,148,554	-	2,148,554
Financial derivatives with group undertakings	4,199,993	-	4,199,993
Other amounts owed to group undertakings	-	8,816,031	8,816,031
Trade creditors	-	5,754,411	5,754,411
Corporation tax payable	-	1,031,477	1,031,477
Accruals and deferred income	-	57,000	57,000
Other creditors	-	16,739	16,739
Total	<u>6,348,547</u>	<u>15,675,658</u>	<u>22,024,205</u>

Credit risk

Credit risk is the risk of a financial loss to the Company arising from a counterparty's failure to pay or otherwise meet a financial obligation. The risk includes loss of principal, disruption to cash flows and increased collection costs. The Company's credit risk stems from two sources:

- i) Customers
- ii) Banks and financial institutions

Customers

The company operates a margin system whereby clients deposit cash upfront prior to trading to be used as collateral against possible losses. Should a client's net equity position falls below the required maintenance margin, which is required to keep his positions open and the client does not provide additional margin to cover his position, the client's position will be liquidated until the remaining net equity position exceeds the required maintenance margin.

Banks and financial institutions

The Company holds accounts in several banks and financial institutions to facilitate the collection and payment of funds from/to customers and other counterparties. An account with a bank or a financial institution will only be opened after suitable checks have been made to assess the risk level of that entity. Those assessments are reviewed annually.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

5. Risks and risk management (continued)

The maximum exposure to credit risk at the reporting time is the fair value of derivative assets and cash deposits at the balance sheet date. Credit risk of derivative assets is mitigated by cash collateral held (maintenance margin). Credit risk of institutions holding cash deposits is mitigated by depositing cash within financially sound institutions. No amounts are past due or impaired.

	Maximum exposure to credit risk		Cash collateral held	
	2014	2013	2014	2013
	£	£	£	£
Cash held with financial institutions	30,915,376	22,204,127	-	-
Financial derivatives owed by customers	4,552,042	6,348,547	4,552,042	6,348,547
Other debt	1,399,728	1,630,739	-	-
Total	<u>36,867,146</u>	<u>30,183,413</u>	<u>4,552,042</u>	<u>6,348,547</u>

Grade	Other debt		Cash held with financial institutions	
	2014	2013	2014	2013
	£	£	£	£
AA+ and above	-	-	-	-
AA to A-	-	-	30,320,341	21,446,980
BBB+ to BBB-	-	-	-	-
BB+ to B	-	-	-	-
CCC and below	-	-	-	-
Unrated	1,399,728	1,630,739	595,035	757,147
Total	<u>1,399,728</u>	<u>1,630,739</u>	<u>30,915,376</u>	<u>22,204,127</u>

6. Client money

The company holds client money under Financial Conduct Authority (FCA) rules - CASS chapter 7. Such monies and corresponding amounts due to clients are not shown on the face of the balance sheet as the Company is not beneficially entitled thereto.

In accordance with CASS, all client cash is segregated and reconciled on a daily basis.

7. Related party transactions

During the year the Company paid Pluperfect Ltd, a company owned by Mr. A L Welsh, £60,000 (£10,000 in 2013) in part settlement of his annual emoluments. There were no amounts outstanding to or from the Company at the year end (£0 in 2013).

During the year the Company paid Casnou Ltd, a company owned by Mr. J D H Griffiths, £12,000 (£14,893 in 2013) for services rendered. There were no amounts outstanding to or from the Company at the year end (£0 in 2013).

8. Post balance sheet events

The Company has evaluated the effects of post balance sheet events and found there have been no events that would require recognition or disclosure in the Financial Statements.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

9. Turnover

The Company's income is derived from trading in CFD's as principal which, for the purposes of segmental analysis, is considered by the directors to be a single global market.

10. Distribution costs

	2014	2013
	£	£
Introductory commission	5,087,682	3,338,387
Credit card charges	2,141,439	1,229,334
E-money charges	423,485	184,158
	<u>7,652,606</u>	<u>4,751,879</u>

Introductory commission relates to platform provision and intermediation services provided by Plus500 Ltd in relation to the completion of CFD's by the Company with its customers.

11. Administrative expenses

Administrative expenses included the following expenses:

	2014	2013
	£	£
Audit Fees	49,200	40,000
Wages and salaries	643,741	266,410

12. Particulars of employees

The average number of staff employed by the Company during the financial year amounted to:

	2014	2013
	no.	no.
Directors	2	2
Other employees	3	0
	<u>5</u>	<u>2</u>

The aggregate payroll costs of the above were:

	2014	2013
	£	£
Wages and salaries	540,045	231,574
Employers national insurance	63,799	24,836
Expense of defined contribution pension scheme	38,371	10,000
Other discretionary employment benefits	1,526	-
	<u>643,741</u>	<u>266,410</u>

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

13. Directors' remuneration

Directors remuneration includes all emoluments, including pension contribution and bonuses, paid to Directors for services to the Company. Two directors accrued benefits under the defined contribution pension scheme during the current year and one director in the previous year.

The directors' aggregate remuneration in respect of qualifying services were:

2014	2013
£	£
375,154	253,508

Included in the above amount is £18,183 relating to expense of defined contribution pension scheme accrued by the Company (2013: £10,000).

The highest paid Director in 2014 received total emolument of:

2014	2013
£	£
230,171	157,893

Included in the above amount is £10,000 relating to expense of defined contribution pension scheme accrued by the Company (2013: £10,000).

14. Finance costs and similar charges

	2014	2013
	£	£
Foreign exchange differences	744,408	920,584
Bank interest paid	-	50
	<u>744,408</u>	<u>920,634</u>

15. Taxation on ordinary activities

The current tax assessed is on the profits on ordinary activities for the year at the standard rate of corporation tax in the UK. The standard rate for 2014/15 is 21% (2013/14 - 23%; and 2012/13 - 24%).

	2014	2013
	£	£
Profit on ordinary activities before taxation	14,036,670	6,426,894
Disallowable expenses for tax purposes	4,165	775
Taxable income for the period	<u>14,040,835</u>	<u>6,427,669</u>
Tax for the three months period to March 31st at 23%	807,348	385,660
Tax for the nine months period to December 31st at 21%	<u>2,211,432</u>	<u>1,108,773</u>
Current corporation tax	<u>3,018,780</u>	<u>1,494,433</u>

The effective rate of tax for 2014 was 21.50% (2013 - 23.25%)

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

16. Debtors

	2014	2013
	£	£
Fair value of financial derivatives with clients	4,552,042	6,348,547
Trade debtors	1,283,184	1,618,249
Non-trade debtors	37,704	-
Prepayments and accrued income	78,840	12,490
	<u>5,951,770</u>	<u>7,979,286</u>

17. Creditors

	2014	2013
	£	£
Fair value of financial derivatives with clients	1,619,720	2,148,554
Fair value of financial derivatives with group undertakings	2,932,322	4,199,993
Other amounts owed to group undertakings	12,410,733	8,816,031
Trade creditors	3,893,494	5,754,411
Corporation tax payable	1,141,755	1,031,477
Accruals and deferred income	192,023	57,000
Other creditors	-	16,739
	<u>22,190,047</u>	<u>22,024,205</u>

18. Commitments under operating leases

At 31 December 2014 the Company had annual commitments under non-cancellable operating leases as set out below.

Operating leases which expire:

	2014	2013
	£	£
Within one year	15,120	5,201
After more than one year	-	-

19. Share capital

Allotted, called up and fully paid share equity:

	2014	2013
	£	£
Ordinary Class 1 shares of £1 each	5,975,000	5,975,000
Ordinary Class 2 shares of £1 each	25,000	25,000
	<u>6,000,000</u>	<u>6,000,000</u>

20. Retained earnings

	2014	2013
	£	£
Balance brought forward	2,159,209	1,426,748
Profit for the financial year	11,017,890	4,932,461
Equity dividends	(4,500,000)	(4,200,000)
Balance carried forward	<u>8,677,099</u>	<u>2,159,209</u>

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

21. Financial Instruments

	2014 £	2013 £
Financial assets		
Cash and cash equivalents	30,915,376	22,204,127
Derivatives	4,552,042	6,348,547
All other debtors	1,399,728	1,630,739
	<u>36,867,146</u>	<u>30,183,413</u>
Non-financial assets	-	-
Total assets	<u>36,867,146</u>	<u>30,183,413</u>
Financial liabilities		
Derivatives	4,552,042	6,348,547
All other creditors	17,638,005	15,675,658
	<u>22,190,047</u>	<u>22,024,205</u>
Non-financial liabilities	-	-
Total liabilities	<u>22,190,047</u>	<u>22,024,205</u>

The directors believe that the carrying value of the Company's financial instruments approximates their fair value.

22. Capital resources

The Company's capital resources are managed and monitored in accordance with the regulatory capital requirements of the FCA. The Company's capital resource requirement is calculated according to the FCA rules that apply to a IFPRU 730k full scope firm.

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern; and
- To meet regulatory capital requirements at all times.

The Company's capital objectives are primarily met by managing the business risks that the Company faces on a regular basis.

The Company has surplus cash as at the reporting date, and it has adequate forecast financial resources in order to meet its liabilities as they fall due.

As at the reporting date capital resources, capital requirements and capital surplus were as follows:

	2014 £	2013 £
Total capital resource	8,159,209	7,426,647
Total capital requirement (unaudited)	5,688,000	1,226,000
Surplus capital	<u>2,471,209</u>	<u>6,200,647</u>

There have been no changes in the Company's management of capital and the minimum capital requirement during the year. The Company's capital has been in excess of its capital requirement throughout the year.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

23. Reconciliation of first time adoption of FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements were prepared under the previous UK GAAP were for the year ended 31 December 2013. The date of transition to FRS 102 was 1 January 2013. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2013 between UK GAAP as previously reported and FRS 102. There was no impact on total equity as at 1 January 2013 and 31 December 2013.

The effects of the FRS 102 adoption on the 2013 comparable figures are set out below:

	Note	Amounts per UK GAAP 2013 Restated £	Effect of transferring to FRS 102 £	Amounts per FRS 102 2013 £
Statement of comprehensive income				
Turnover	(A)	12,803,386	-	12,803,386
Cost of sales	(A)	-	-	-
Distribution costs	(B)	-	(4,751,879)	(4,751,879)
Administrative expenses	(A), (B)	(6,440,394)	5,672,464	(767,930)
Interest receivable and similar income		63,952	-	63,952
Interest payable and similar charges	(B)	(50)	(920,585)	(920,635)
Taxation		(1,494,433)	-	(1,494,433)
Total		<u>4,932,461</u>	<u>-</u>	<u>4,932,461</u>
Statement of financial position				
Cash and cash equivalents	(A)	22,204,127	-	22,204,127
Debtors	(A), (C)	7,979,286	-	7,979,286
Creditors	(C)	(22,024,205)	-	(22,024,205)
Total		<u>8,159,208</u>	<u>-</u>	<u>8,159,208</u>
Called-up share capital		6,000,000	-	6,000,000
Retained earnings		2,159,208	-	2,159,208
Total		<u>8,159,208</u>	<u>-</u>	<u>8,159,208</u>

(A) The recognition of income results directly from the recognition and measurement of assets and liabilities in accordance with FRS 102 section 2.41. Turnover is recognised on financial assets and liabilities on an aggregate basis by each asset class to determine the net gain or loss for that asset class in accordance with FRS 102 section 11.48. CFD positions are viewed as a single asset class. £18,073,965 which had previously been disclosed as 'Cost of sales', £32,326,370 which had previously been disclosed as 'Introductory commission' and £589,493 which had previously been disclosed as 'E-money charges' in 2013 have now been more appropriately re-presented as 'Turnover'. £686,182 which had previously been disclosed as 'Trade debtors' has now been more appropriately re-presented as 'Cash and cash equivalents'. Prior year UK GAAP amounts have also been restated to reflect the classification of these items.

PLUS500UK LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2014

- (B) The classification and presentation of cost and expenses has been presented in line with FRS 102 section 5.11 "Unless otherwise required under the Regulations, an entity shall present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant". An analysis by function of expense has been selected. As such, cost associated with financing activity has been reclassified as "interest payable and similar charges" whilst cost incurred to fill an order (a trade) has been reclassified as "distribution costs".
- (C) Section 12.6 of FRS 102 states that "An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument." Section 12.7 of FRS 102 states that "When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value...". As such, open CFD derivatives have been recognised as financial assets and financial liabilities on the Statement of Financial Position with related gains and losses recognised through the Statement of Comprehensive Income. £6,348,547 of derivative assets not previously recognised have now been disclosed as 'Fair value of financial derivatives with clients' within Debtors. £2,148,554 of derivative liabilities not previously recognised have now been disclosed as 'Fair value of financial derivatives with clients' within Creditors. £4,199,993 of derivative liabilities not previously recognised have now been disclosed as 'Fair value of financial derivatives with group undertakings' within Creditors. Prior year UK GAAP amounts have also been restated to reflect the recognition of these financial instruments.