

# Plus500CY Ltd

Registrar of Companies Copy

.....  
*Report and  
financial  
statements*

Certified true copy of the original Financial Statements  
Directors' and Independent Auditors' report laid before the  
Company's Annual General Meeting held on

.....  
*31 December 2014*

Director: .....

Secretary: .....



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# Plus500CY Ltd

## Report and financial statements 31 December 2014

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# **Plus500CY Ltd**

## **Board of Directors and other officers**

### **Board of Directors**

Elad Even-Chen (appointed 16 June 2014)  
Stephanos Stephanou (appointed 14 November 2014)  
Eleni Vickers (appointed 14 November 2014)  
Stelios Stylianou (appointed 14 November 2014)

### **Company Secretary**

**PMG ISLANDSERVE NOMINEES LIMITED**  
134 Agias Fylaxeos & Amisou  
ANNISSA COURT, 4th floor  
CY-3087 Limassol  
Cyprus

### **Registered office**

Siafi 1  
Portobello, Office 102  
CY-3042, Limassol  
Cyprus

### **Legal Advisor**

S. Parparinos & Associates LLC

### **Registration number**

333382

### **Auditors**

PricewaterhouseCoopers Limited

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# Plus500CY Ltd

## Report of the Board of Directors

1 The Board of Directors presents its report together with the first audited financial statements of the Company for the period from 16 June 2014 (date of incorporation) to 31 December 2014.

### Incorporation

2 The Company was incorporated and domiciled in Cyprus on 16 June 2014 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Siafi 1, Portobello, Office 102, CY-3042, Limassol, Cyprus.

### Principal activities

3 The principal activities of the Company are the provision of Contracts for Difference (CFDs) to clients including any interest earning activities. This involves trading of CFDs on shares, indices, commodities, ETFs, and foreign exchange. The Company operates through the proprietary platform of Plus500 group. Plus500 group is a fast growing online provider of Contracts for Difference (CFDs). Plus500 group has developed and operates an online trading platform for customers to trade CFDs internationally. Plus500CY Limited is a wholly owned subsidiary of Plus500 Limited.

4 The Company is CySEC regulated and operates under a licence number 250/14.

### Change of registered office

5 On 18 November 2014, the Company changed its registered office from 4 Modestou Panteli, Messa Geitonia, CY-4003 Limassol, Cyprus to 1 Siafi, Portobello, Office 102, CY-3042 Limassol, Cyprus.

### Review of developments, position and performance of the Company's business

6 The profit of the Company for the period ended 31 December 2014 was €172.330. On 31 December 2014 the total assets of the Company were €2.288.976 and the net assets were €2.163.330. The financial position, development and performance of the Company as presented in these financial statements are considered satisfactory.

### Principal risks and uncertainties

7 For a description of the main financial risks and uncertainties that the Company faces refer to Notes 3 and 4 of the financial statements.

### Future developments of the Company

8 The Board of Directors does not expect any major changes in the principal activities of the Company in the foreseeable future.

# Plus500CY Ltd

## Report of the Board of Directors (continued)

### Results

9 The Company's results for the period are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the profit for the period is retained.

### Share capital

10 On 16 June 2014 (date of incorporation) the Company issued 1 000 ordinary shares at par value of €1 each. For further movements of share capital in the first period to 31 December 2014 refer to Note 15 of the financial statements.

### Board of Directors

11 The members of the Board of Directors at 31 December 2014 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2014, except Mr Stephanos Stephanou, Mrs Eleni Vickers and Mr Stelios Stylianou, who were appointed as Director on 14 November 2014.

12 In accordance with the Company's Articles of Association, all directors retire at the next AGM and being eligible offer themselves for re-election.

### Events after the balance sheet date

13 The material post balance sheet events, which have a bearing on the understanding of the financial statements are disclosed in Note 18 of the financial statements.

### Branches

14 The Company did not operate through any branches during the period.

### Independent Auditors

15 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

### By Order of the Board

  
**Eleni Vickers**  
**Director**

Limassol,  
29 April 2015





## **Independent auditor's report**

### **To the Members of Plus500CY Ltd**

#### **Report on the financial statements**

We have audited the accompanying financial statements of Plus500CY Ltd (the "Company"), which comprise the balance sheet as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

#### *Board of Directors' responsibility for the financial statements*

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Plus500CY Ltd as at 31 December 2014, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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PricewaterhouseCoopers Ltd is a member firm of PricewaterhouseCoopers International Ltd, each member firm of which is a separate legal entity. PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143584). A list of the company's directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 3 Themistocles Dervis Street, 1066 Nicosia and appears on the company's web site. Offices in Nicosia, Limassol, Larnaca and Paphos.

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### **Report on other legal requirements**

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Vassilios G Vrachimis  
Certified Public Accountant and Registered Auditor  
for and on behalf of

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors

Nicosia, 29 April 2015

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# Plus500CY Ltd

## Statement of comprehensive income for the period from 16 June 2014 (date of incorporation) to 31 December 2014

	Note	€
Trading income	5	457.312
Administrative and operating expenses	6	(276.958)
Bank interest income		<u>596</u>
<b>Operating profit</b>		<b>180.950</b>
Finance costs	8	<u>(1.609)</u>
<b>Profit before income tax</b>		<b>179.341</b>
Income tax expense	9	<u>(7.011)</u>
<b>Profit and total comprehensive income for the period</b>		<b><u>172.330</u></b>

The notes on pages 10 to 30 are an integral part of these financial statements.

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# Plus500CY Ltd

## Balance sheet at 31 December 2014

	Note	2014 €
<b>Assets</b>		
<b>Non-current assets</b>		
Other receivables	12	<u>73.301</u>
<b>Current assets</b>		
Other receivables	12	314.807
Bank deposits and equivalents	13	<u>1.900.868</u>
		<u>2.215.675</u>
<b>Total assets</b>		<u>2.288.976</u>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Share capital	15	200.000
Share premium	15	1.791.000
Retained earnings		<u>172.330</u>
<b>Total equity</b>		<u>2.163.330</u>
<b>Current liabilities</b>		
Other payables	16	118.635
Current income tax liabilities		<u>7.011</u>
		<u>125.646</u>
<b>Total equity and liabilities</b>		<u>2.288.976</u>

On 29 April 2015 the Board of Directors of Plus500CY Ltd authorised these financial statements for issue.

  
Elad Even-Chen, Director

  
Eleni Vickers, Director

The notes on pages 10 to 30 are an integral part of these financial statements.

# Plus500CY Ltd

## Statement of changes in equity for the period from 16 June 2014 (date of incorporation) to 31 December 2014

	Note	Share capital €	Share premium €	Retained earnings <sup>(1)</sup> €	Total €
<b>Balance at 16 June 2014</b>					
<b>Comprehensive Income</b>					
Profit for the period		-	-	172,330	172,330
<b>Transactions with owners</b>					
Issue of shares	15	200,000	1,791,000	-	1,991,000
Total transactions with owners		200,000	1,791,000	-	1,991,000
<b>Balance at 31 December 2014</b>		<b>200,000</b>	<b>1,791,000</b>	<b>172,330</b>	<b>2,163,330</b>

- (1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009, and to 20% in respect of profits of years of assessment 2010 and 2011, and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

The notes on pages 10 to 30 are an integral part of these financial statements.

# Plus500CY Ltd

## Statement of cash flows for the period from 16 June 2014 (date of incorporation) to 31 December 2014

	Note	€
<b>Cash flows from operating activities</b>		
Profit before income tax		179.341
Adjustments for:		
Interest income		<u>(596)</u>
		178.745
Changes in working capital:		
Other receivables		(388.108)
Other payables		<u>118.635</u>
<b>Cash used in operating activities</b>		<u>(90.728)</u>
Income tax paid		-
<b>Net cash used in operating activities</b>		<u>(90.728)</u>
<b>Cash flows from investing activities</b>		
Interest received		<u>596</u>
<b>Net cash from investing activities</b>		<u>596</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares	15	<u>1.991.000</u>
<b>Net cash from financing activities</b>		<u>1.991.000</u>
<b>Net increase in cash and cash equivalents</b>		<u>1.900.868</u>
<b>Cash and cash equivalents at end of period</b>	13	<u>1.900.868</u>

The notes on pages 10 to 30 are an integral part of these financial statements.



# Plus500CY Ltd

## Notes to the financial statements

### 1 General information

#### Country of incorporation

The Company is incorporated and domiciled in Cyprus on 16 June 2014 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Siafi 1, Portobello, Office 102, CY-3042, Limassol, Cyprus.

#### Principal activities

The principal activities of the Company are the provision of Contracts for Difference (CFDs) to clients including any interest earning activities. This involves trading of CFDs on shares, indices, commodities, ETFs, and foreign exchange. The Company operates through the proprietary platform of Plus500 group. Plus500 group is a fast growing online provider of Contracts for Difference (CFDs). Plus500 group has developed and operates an online trading platform for customers to trade CFDs internationally. Plus500CY Limited is a wholly owned subsidiary of Plus500 Limited.

The Company is CySEC regulated and operates under a licence number 250/14.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied through the period presented in these financial statements unless otherwise stated.

#### Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of from the current period have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Adoption of new and revised IFRSs

During the current period the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning as from the current period. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after the current period, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following as set out below:

- IFRS 9 “Financial Instruments: Classification and Measurement” (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Adoption of new and revised IFRSs (continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of online trading services in the ordinary course of business.

The Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Revenue recognition (continued)

#### (i) Trading income

Trading income represents gains and losses arising on client trading activity, primarily in CFDs on shares, indices, commodities ETFs and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed. Offset in revenue are amounts for client bonuses awarded for promotional purposes and adjustments for client disputes and manufactured dividends. All CFD transactions entered with the clients are fully hedged with corresponding transactions with its parent. A hedging fee will be paid to the parent company for the provision of economic hedges. The hedging fee relates to the result of the derivative positions used as economic hedges subject to an agreed upon service fee.

#### (ii) Bank interest income

Interest income is recognised using the effective interest method.

### Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries.

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income

Foreign exchange gains and losses are presented in the statement of comprehensive income within "finance costs".

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Current and deferred income tax

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

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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 transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

### Operating 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 the statement of comprehensive income on a straight line basis over the period of the lease. The operating lease payments of the Company relate to the rental of office premises.

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Financial assets

#### (i) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling it in the short term. Derivatives are also categorised as held for trading. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "other receivables" and "cash and cash equivalents" in the balance sheet.

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

#### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss as part of other income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

Loans and receivables are carried at amortised cost using the effective interest method.

#### (iii) Impairment of financial assets

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or 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.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Financial assets (continued)

#### (iii) Impairment of financial assets (continued)

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio;
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount 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. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.



# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Offsetting derivative financial instruments with clients and parent

Assets or liabilities resulting from profit or losses on open positions are carried at fair value. Amounts due from or to clients are netted against other assets and liabilities 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. Derivative assets represent balances with parent and clients where the combination of cash held on account and the valuation of financial derivative open positions result in an amount due to the Company. Derivative liabilities represent balances with parent and clients where the combination of cash held on account and the valuation of financial derivative open positions results in an amount payable by the Company.

### Deposits with Investors' Compensation Fund

The Company's contributions to the Investor Compensation Fund, in accordance with the Establishment of Operation of the Investor Compensation Fund, Customer Cyprus Investment Companies Regulations of 2004-2007, are recognized as non-current assets on the balance sheet. The profit distribution credited to the Company by the Investor Compensation Fund is recognised in profit for the year.

### Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When a receivable is uncollectible, it is written off against the allowance account for other receivables. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

### Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturity of three months or less.

The Company holds money on behalf of clients in accordance with the client money rules of the Cyprus Securities and Exchange Commission (CySEC). Such monies are classified as 'segregated client funds' (Client money) in accordance with the CySEC regulatory requirements. Segregated accounts with client money comprise retail client funds held in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Company's ability to control the monies and accordingly such amounts are not presented on the Company's Balance Sheet.

# Plus500CY Ltd

## 2 Summary of significant accounting policies (continued)

### Cash and cash equivalents (continued)

The amount of segregated client funds held at year-end is disclosed in Note 13 to the financial statement.

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Other payables

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

## 3 Financial risk management

### (i) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

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## 3 Financial risk management (continued)

### (i) Financial risk factors (continued)

The Company operates as an on-line market maker for CFDs; hence any movement in prices will directly impact the risk exposure of the Company depending on the open positions currently in place. However, the Company has an agreement with its parent company to economically hedge all CFD transactions entered with its customers. Therefore, the Company is not exposed to market risk because each transaction with the client is fully hedged with corresponding transactions with its parent. For 2014, the parent company did not charge a hedging fee for the hedging transactions. As a result, the total trading gain was recognised in the income statement.

The risk management policies employed by the Company to manage these risks are discussed below:

- **Market risk**

The Company's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day.

**Price risk on CFDs**

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 currency exposures or interest rate risks.

The Company has market price risk as a result of its trading activities (CFDs on stocks, indices, commodities and ETFs). This risk is mitigated due to the fact that the trading positions are fully hedged with the parent.

**Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. At the year – end the Company had no significant balances in foreign currencies other than the trading positions which are fully hedged.

The Company is exposed to foreign exchange risk arising from various currency exposures (GBP, USD, ILS, CHF, NOK, SEK, HUF, CZK, HKD, DKK, PLN, AED). The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**Cash flow and fair value interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets and liabilities (to be noted that bank balances are held in current types of accounts, bearing insignificant interest).

# Plus500CY Ltd

## 3 Financial risk management (continued)

### (i) Financial risk factors (continued)

- **Credit risk**

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. At year end the Company did not have a significant concentration of credit risk in relation to other receivables. For banks and financial institutions, only independently rated parties or parties internally assessed as healthy are accepted.

The Company has policies in place to ensure that customers place adequate funds prior to enabling them to enter into CFD transactions and that customer's cash balances are held with high credit rating banks and financial institutions or parties internally assessed as healthy are accepted.

- **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. All of the Company's financial liabilities are due within twelve months from the balance sheet date.

The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

### (ii) Capital risk management

The Company's objectives when managing capital are (i) to comply with the capital requirements set by the regulator (Cyprus Securities and Exchange Commission - CySEC), (ii) to safeguard the Company's ability to continue as a going concern and (iii) to maintain a strong capital base to support the development of the business. The Company's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of customers, creditors, other market participants and to secure the future development of the Company.

Capital adequacy and the use of the regulatory capital are monitored by the Company's management. The required information is filed with the Company's regulator on a quarterly basis.

The total own funds (Tier 1) as at 31 December 2014 were €1.991.000.

The capital adequacy ratio as reported to CySEC for the year ended 31 December 2014 was above the minimum capital adequacy ratio of 8% required by CySEC.

# Plus500CY Ltd

## 3 Financial risk management (continued)

### (iii) Fair value estimation

The different levels of valuation methods of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (i) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

# Plus500CY Ltd

## 4 Critical accounting estimates and judgements (continued)

### (i) Critical accounting estimates and assumptions (continued)

#### • Functional currency

The Company's principal operating activities are affected by the UK pound, US dollar, Euro, Israeli New Shekel, Swiss franc, Norwegian krone, Swedish Krona, Hungarian Forint, Czech Republic Koruna, Hong Kong Dollar, Danish Krone, Polish Zloty and United Arab Emirates Dirham, since it acts as the counterparty for clients in the trading of foreign currencies and therefore influenced by the economic environments of each respective country. The Company's clients are mostly EU clients, but also there are Non-EU clients. The Company's operating expenses are mainly influenced by the Euro, since it is domiciled in Cyprus. The currency in which receipts from operating activities are usually retained is the EUR, even from non-EU clients. Management has exercised its judgment based on which it has concluded that the Euro mostly represents the economic effects on the underlying transactions, events and conditions.

## 5 Trading income

	For the period from 16 June 2014 to 31 December 2014 €
Trading income	<u>457.312</u>

Trading income consists of Realised income of €326.723 (after client bonuses of €582.372) and unrealised income of €130.589 (including foreign exchange loss of €652). There were no other deductions during the period.

## 6 Expenses by nature

	For the period from 16 June 2014 to 31 December 2014 €
Payment Processor fees and charges	19.904
Rent	19.677
Auditors' remuneration charged by the statutory audit firm	28.500
Fees – non executive directors (Note 17(i))	3.000
Staff costs (Note 7)	64.952
Legal and professional fees	120.478
Sundry expenses	<u>20.447</u>
<b>Total administrative and operating expenses</b>	<b><u>276.958</u></b>

# Plus500CY Ltd

## 6 Expenses by nature (continued)

The legal and professional fees stated above, include fees of €3.500 for tax consulting services charged by the Company's statutory audit firm.

## 7 Staff costs

	For the period from 16 June 2014 to 31 December 2014 €
Staff salaries	59.290
Employer's Contributions	<u>5.662</u>
	<u>64.952</u>

## 8 Finance costs

	For the period from 16 June 2014 to 31 December 2014 €
Net foreign exchange loss	<u>1.609</u>

## 9 Income tax expense

	For the period from 16 June 2014 to 31 December 2014 €
<b>Current tax:</b>	
Corporation tax	6.832
Defence contribution	<u>179</u>
Total current tax	<u>7.011</u>
Income tax expense	<u>7.011</u>

# Plus500CY Ltd

## 9 Income tax expense (continued)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	For the period from 16 June 2014 to 31 December 2014 €
Profit before tax	<u>179.341</u>
Tax calculated at the applicable corporation tax rate of 12,5%	22.418
Tax effect of expenses not deductible for tax purposes	273
Tax effect of allowances and income not subject to tax	(16.480)
Special contribution for defence	179
10% additional tax	<u>621</u>
Income tax charge	<u>7.011</u>

The Company is subject to income tax on taxable profits at the rate of 12,5% as from 1 January 2013.

As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

## 10 Financial instruments by category

	Loans and receivables €	Total €
<b>31 December 2014</b>		
<b>Assets as per balance sheet</b>		
Other receivables	382.006	382.006
Cash and cash equivalents	<u>1.900.868</u>	<u>1.900.868</u>
<b>Total</b>	<u>2.282.874</u>	<u>2.282.874</u>
	Other financial liabilities €	Total €
<b>Liabilities as per balance sheet</b>		
Other payables	<u>118.635</u>	<u>118.635</u>



# Plus500CY Ltd

## 11 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014 €
<b>Fully performing other receivables</b>	
Counterparties without external credit rating (1):	<u>382.006</u>
	2014 €
<b>Cash at bank and short-term bank deposits</b>	
A1	590.001
A2	1.833.367
Caa1	276.646
Externally unrated – internally assessed as adequately healthy and stable	<u>316.692</u>
	<u>3.016.706</u>

(1) No credit risk, since the balance is due from the parent company.

## 12 Other receivables

	2014 €
<b>Non-current</b>	
Rent deposit	13.500
Deposits with Investors' Compensation Fund (1)	<u>59.801</u>
	<u>73.301</u>
<b>Current</b>	
Receivable from related parties (Note 17(ii))	308.705
Prepayments	2.823
VAT refundable	<u>3.279</u>
	<u>314.807</u>
<b>Total</b>	<u>388.108</u>

The fair values of other receivables approximate their current values.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

(1) The cash balances with Investors' Compensation Fund are mandatory deposits to the Investors' Compensation Fund set up under the Establishment and Operation of the Clients of Cyprus Investment Firms Compensation Fund Regulations of 2004-2007. These deposits are not available for use in the Company's day to day operations and do not carry any interest, but are refundable in the case the Company ceases to be considered as an investments firm and provided no claims are pending against it from investors or clients.

None of the above carry any interest.

# Plus500CY Ltd

## 13 Cash and cash equivalent

	2014 €
Bank deposits and equivalents	<u>1.900.868</u>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	For the period from 16 June 2014 to 31 December 2014 €
Gross bank balances (own and clients money)	3.016.706
Less:	
Client Liability (1)	<u>(1.115.838)</u>
Cash and cash equivalents	<u>1.900.868</u>

Cash in hand and at bank are denominated in the following currencies:

	2014 €
Euro	2.592.232
Pound sterling	184.933
US Dollar	4.727
Israeli New Shekel	12.757
Other	<u>222.058</u>
	<u>3.016.707</u>

(1) The Company holds money on behalf of clients in accordance with the client money rules of the Cyprus Securities and Exchange Commission (CySEC). Such monies are classified as 'segregated client funds' (Client money) in accordance with the CySEC regulatory requirements. Segregated accounts with client money comprise client funds held in segregated client money accounts. Segregated client money accounts hold statutory trust status restricting the Company's ability to control the monies and accordingly such amounts are not presented on the Company's Balance Sheet.

Every next working day, the Company transfers funds into the clients money account in order for the balance of clients funds to be sufficient in terms of covering the clients liability balance at any time.

The segregated client funds as at 31 December 2014 were €861.453. The difference between €861.453 and the client liability is settled as described above.

# Plus500CY Ltd

## 14 Offsetting derivative financial instruments with clients and parent

Derivative financial instruments are primarily CFDs on shares, indices, commodities ETFs and foreign exchange, in which the Company acts as counterparty to positions held by the Company's customers as at 31 December and equal and opposite "off-set" trades with the parent company Plus500 Limited.

These instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the prices of underlying assets relative to their terms. The aggregate contractual or notional amount (open as at 31 December 2014: €5.432.115) of these financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate from time to time.

The fair value measurement of these derivative financial instruments is based on the prices quoted by the Company, which are derived from directly observable data.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet. None of the derivative financial instruments is either past due or impaired. This exposure to credit risk is mitigated by the right of the Company to unilaterally close out any position.

The Company enters into transactions with its customers through the Plus500 Platform, at the prevailing prices at the time as quoted by the trading platform.

All CFDs transactions between the Company and its clients are hedged by entering into equal and opposite trades between the Company and Plus500 Limited (Note 3(ii)).

A derivative asset that resulted from the combination of cash held on account and the valuation of financial derivative open positions with clients was offset with the segregated funds held on behalf of each client.

A derivative liability that resulted from the economic hedging on open positions with the parent is normally settled off with the balance receivable from parent company. For 2014, the parent company did not charge a hedging fee for the hedging transactions. As a result, the total trading gain was recognised in the income statement.

As all trading positions are hedged between the two companies, the derivative asset and derivative liability at any time are equal.

## 15 Share capital and share premium

	Number of shares	Share capital €	Share premium €	Total €
Issue of shares	<u>200 000</u>	<u>200.000</u>	<u>1.791.000</u>	<u>1.991.000</u>
At 31 December 2014	<u>200 000</u>	<u>200.000</u>	<u>1.791.000</u>	<u>1.991.000</u>

The total authorised number of ordinary shares is 200 000 shares with a par value of €1 per share.

On 16 June 2014 (date on incorporation) the Company issued 1 000 ordinary shares at par value of €1 each.

On 11 September 2014 the Company issued 150 000 ordinary shares of €1 each at a premium of €9 per share.

# Plus500CY Ltd

## 15 Share capital and share premium (continued)

On 29 December 2014 the Company issued 49 000 ordinary shares of €1 each at a premium of €9 per share.

## 16 Other payables

	2014 €
Other payables	642
Accrued expenses	<u>117.993</u>
	<u>118.635</u>

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

## 17 Related party transactions

The Company's direct and ultimate controlling party is Plus500 Limited, which owns 100% of the Company's shares. It is incorporated in Israel and is listed on the London Stock Exchange.

The following transactions were carried out with related parties:

### (i) Key management compensation

The compensation for the period of key management personnel and Directors is as follows:

	For the period from 16 June 2014 to 31 December 2014 €
Fees - non executive directors	3.000
Salaries and other short-term benefits - executive directors	<u>17.213</u>
	<u>20.213</u>

### (ii) Year-end balances

	2014 €
Receivables from related parties (Note 12)	
Receivable from parent company	<u>308.705</u>

The balance receivable from related parties bears no interest, is not secured and is receivable on demand.

## **Plus500CY Ltd**

### **18 Events after the balance sheet date**

On 12 January 2015 the Company increased its authorised share capital to 250 000 ordinary shares with nominal value of €1 each and issued 50 000 ordinary shares of €1 each at a premium of €79 per share.

There were no other material events after the balance sheet date, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 4 to 5.

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