THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document nor will it.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company involves a high degree of risk. The attention of prospective investors is drawn in particular to Part III of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.

This document comprises an admission document prepared in accordance with the AIM Rules. It does not constitute a prospectus for the purposes of the Prospectus Rules and the Financial Services and Markets Act 2000 and has not been, and will not be, approved by or filed with the FCA or any other competent authority.

The Directors, whose names appear on page 3 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

Application has been made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Ordinary Shares on 24 July 2013. The Ordinary Shares are not traded on any other recognised investment exchange and no other such applications have been made.

Plus500 LTD.

(incorporated under the laws of Israel with registered number 514142140)

Placing of 43,190,325 Ordinary Shares at 115p per share

Admission to trading on AIM

Nominated adviser and broker

Liberum Capital Limited

Expected share capital of the Company immediately following Admission

	Issued and fully paid	
	Nominal value	*Number*
Ordinary shares of NIS 0.01 each	1,148,883.77	114,888,377

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares then in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Liberum Capital has been appointed as nominated adviser to the Company in connection with the Placing and Admission. The responsibilities of Liberum Capital, as nominated adviser under the AIM Rules, are owed solely to the London Stock Exchange. In accordance with the AIM Rules, Liberum Capital has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and the to the best of its knowledge and belief, having made due and careful enquiry, all relevant requirements of the AIM Rules have been complied with. No representation or warranty, express or implied, is made by Liberum Capital as to any of the contents of this document and Liberum Capital has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

Liberum Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no-one else in connection with Admission. It will not be responsible to persons other than the Company for providing the protections afforded to its clients or for advising any other person on the contents of this document or on any other transaction or arrangement referred to in this document.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in, into or from the United States, Canada, Australia, the Republic of South Africa, Japan or Israel. The Ordinary Shares have not been, and will not be, registered under the applicable securities laws of the United States, Canada, Australia, the Republic of South Africa, Japan or Israel and the Ordinary Shares may not be offered or sold directly or indirectly within the United States, Canada, Australia, the Republic of South Africa, Japan or Israel or to, or for the account or benefit of, any persons within the United States, Canada, Australia, the Republic of South Africa, Japan or Israel. The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	Alastair Neil Gordon, *Non-Executive Director and Chairman* Gal Haber, *Chief Executive Officer* Alon Gonen, *Managing Director* Inbal Esther Marom (formerly Inbal Esther Malull), *Group Chief Financial Officer* Michael Charles Fairbairn, *Senior Non-Executive Director* Henry Benedict Birch, *Non-Executive Director* Daniel Joseph King, *Non-Executive Director*
Secretary	Elad Even-Chen
Registered and head office	MATAM Building 22 Haifa 31905 Israel
Company website	www.plus500.com
Nominated adviser and broker	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
Legal advisers as to English Law to the Company	DLA Piper UK LLP 3 Noble Street London EC2V 7EE
Legal advisers as to Israeli Law to the Company	Naschitz, Brandes & Co., Advocates 5 Tuval Street Tel Aviv 67897 Israel
Legal advisers to the nominated adviser and broker	Osborne Clarke One London Wall London EC2Y 5EB
Reporting accountants and auditors	PricewaterhouseCoopers – Israel (Kesselman & Kesselman) Trade Tower, 25 Hamered Street Tel Aviv 6812508 Israel
Registrar	Capita Registrars (Guernsey) Limited Mont Crevelt House Bulwer Avenue St Sampson Guernsey GY2 4LH
Depositary	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PLACING STATISTICS

Placing Price per Placing Share	115 pence
Gross proceeds of the Placing	£49.7 million
Estimated net proceeds of the Placing receivable by the Company*	£14.5 million
Number of Existing Ordinary Shares	100,491,602
Number of New Ordinary Shares being placed	14,396,775
Number of Sale Shares to be sold by Selling Shareholders	28,793,550
Total number of Placing Shares	43,190,325
Number of Ordinary Shares in issue immediately following Admission	114,888,377
Market capitalisation of the Company at the Placing Price	£132.1 million
Number of Placing Shares as a percentage of the Enlarged Share Capital	37.6 per cent.
Percentage of the Enlarged Share Capital represented by Directors' interests	33.7 per cent.
ISIN	IL0011284465
SEDOL	BBT3PS9
TIDM	PLUS

* Stated after deducting the estimated total expenses of the Placing and other related costs payable by the Group of approximately £2.0 million (excluding VAT)

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	18 July 2013
Admission effective and dealings commence on AIM	8.00 a.m. on 24 July 2013
CREST accounts credited with DIs	8.00 a.m. on 24 July 2013
Despatch of definitive share certificates (where applicable) by	7 August 2013

Each of the dates in the above timetable is subject to change at the absolute discretion of Liberum Capital and the Company.

References to times are to London times.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part III: Risk Factors" of this document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the laws and practices currently in force in England and Wales, or Israel, as applicable, and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

The contents of the Group's website, including any websites accessible from hyperlinks on the Group's website, do not form part of this document.

Forward looking statements

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Presentation of financial information

The Company publishes its financial statements in US dollars. Throughout this document, unless otherwise indicated, the following exchange rates have been used:

- NIS1.00: US$0.28
- NIS1.00: £0.19
- £1.00: US$1.51

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

Certain non-IFRS measures such as "EBITDA" have been included in the financial information contained in this document as the Directors believe that these provide important alternative measures with which to assess the Group's performance. Investors should not consider EBITDA as an alternative to revenue and operating profit which are IFRS measures. Additionally, the Company's calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

General notice

This document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Regulations 2005 in the United Kingdom. It has been drawn up in accordance with the requirements of Directive 2003/71/EC (the "Prospectus Directive") only in so far as required by the AIM Rules.

This document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this document (either in whole or in part) without the prior written consent of the Company and Liberum Capital is prohibited.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"Admission"	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules;
"AIM"	the AIM Market, a market operated by the London Stock Exchange;
"AIM Rules"	the rules for companies governing admission to and the operation of AIM, published by the London Stock Exchange from time to time;
"Articles"	the articles of association of the Company to be adopted conditional on Admission;
"ASIC"	the Australian Securities and Investments Commission;
"AU$"	Australian dollars, the lawful currency of Australia;
"Audit Committee"	the audit committee of the Board, the function and composition of which are as set out in paragraph 14 of Part I of this document;
"Board"	the board of directors of the Company from time to time or a duly constituted committee thereof;
"Companies Law"	the Israel Companies Law 5759-1999;
"Company" or "Plus500"	Plus500 Ltd., registered number 514142140 whose registered office is at Matam Building 22, Haifa, 31905, Israel;
"Controlling Shareholder"	has the meaning given to it in paragraph 5.12.4 of Part V of this document;
"CREST"	the system for the paperless settlement of share transfers and the holding of uncertificated shares operated by Euroclear UK & Ireland Limited;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time);
"Custodian"	a person nominated by the Depositary to hold Ordinary Shares on their behalf under the terms of the Deed Poll, being Capita IRG Trustees (Nominees) Limited;
"Deed Poll"	the deed poll executed in favour of the holders of Ordinary Shares wishing to use CREST;
"Depositary"	Capita IRG Trustees Limited;
"DI" or "DIs"	depositary interests issued by the Depositary in respect of Ordinary Shares which depositary interests may be held in, and transferred through, CREST as more particularly described in paragraph 18 of Part V of this document;
"Directors"	the directors of the Company as at the date of this document whose names are set out on page 3 of this document and "Director" means any one of them;
"Dividend Policy"	the Company's agreed policy as to the payment of dividends to Shareholders as described in Part I of this document;

"EEA"	the European Economic Area from time to time, which (as at the date of this document) consists of Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Republic of Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom;
"EMIR"	the European Market Infrastructure Regulation EU 648/2012;
"Enlarged Share Capital"	the issued Ordinary Shares following the Placing, comprising the Existing Ordinary Shares and the New Ordinary Shares;
"euro" or "€"	the official currency of certain of the member states of the European Union;
"Existing Ordinary Shares"	the 100,491,602 Ordinary Shares in issue as at the date of this document;
"FCA"	the Financial Conduct Authority or, if a reference relates to the period prior to 1 April 2013, its predecessor, the Financial Services Authority;
"FCA Rules"	the rules of the FCA made under FSMA;
"Founders"	Mr Elad Ben Izhak, Mr Omer Elazari, Mr Alon Gonen, Mr Gal Haber, Mr Shimon Sofer and Mr Shlomi Weizmann and "Founder" means any one of them;
"FSMA"	the Financial Services and Markets Act 2000, as amended;
"Group"	the Company and its subsidiaries;
"IFRS"	International Financial Reporting Standards;
"Indemnification Agreements"	the indemnification agreements between the Company and each Director, each other Founder and the Company Secretary, the details of which are set out in paragraph 15.5 of Part V of this document;
"KPI"	key performance indicator;
"Liberum Capital"	Liberum Capital Limited, a limited company incorporated in England and Wales with registered number 05912554, the Company's nominated adviser and broker;
"Lock-In Agreements"	the lock-in agreements dated 18 July 2013 between Liberum Capital and each Founder, details of which are set out in paragraph 15.4 of Part V of this document;
"London Stock Exchange"	London Stock Exchange plc;
"MiFID"	the Markets in Financial Instruments Directive 2004/39/EEC;
"New Ordinary Shares"	the 14,396,775 new Ordinary Shares to be issued by the Company pursuant to the Placing;
"NIS"	New Israeli Shekel, the lawful currency of Israel;
"Nomad Agreement"	the agreement between the Company and Liberum Capital dated 18 July 2013 details of which are set out in paragraph 15.3 of Part V of this document;

"Nomination Committee"	the nomination committee of the Board, the function and composition of which are as set out in paragraph 14 of Part I of this document;
"Ordinary Shares"	ordinary shares of NIS 0.01 each in the capital of the Company;
"Outside Director"	a director who complies with certain independence criteria prescribed by the Companies Law and is subject to certain duties and responsibilities prescribed by the Companies Law, details of which are set out in paragraph 5.12 of Part V of this document;
"Personal Interest"	has the meaning given to it in paragraph 5.15.2 of Part V of this document;
"Placing"	the conditional placing of the New Ordinary Shares and the Sale Shares pursuant to the Placing Agreement and the Selling Shareholders Agreement, respectively;
"Placing Agreement"	the conditional agreement dated 18 July 2013 between Liberum Capital, the Company and the Directors relating to the Placing, details of which are set out in paragraph 13 of Part V of this document;
"Placing Price"	115 pence per Placing Share;
"Placing Shares"	together, the New Ordinary Shares and the Sale Shares;
"Plus500AU"	Plus500AU Pty Ltd, ACN 153 301 681 whose registered office is at 19 – 21 Hunter Street, Sydney, New South Wales 2000, Australia;
"Plus500AU Distribution Agreement"	the distribution agreement between Plus500AU and the Company dated 18 June 2013, the details of which are set out in paragraph 15.8 of Part V of this document;
"Plus500AU Share Purchase Agreement"	the share purchase agreement dated 25 March 2013 between the Company and Plus500AU, the details of which are set out in paragraph 15.9 of Part V of this document;
"Plus500UK"	Plus500UK Ltd, registered number 07024970 whose registered office is at Talbot House, 8-9 Talbot Court, London EC3V 0BP;
"Plus500UK Inter-Company Agreement"	the inter-company agreement dated 26 July 2010 between Plus500UK and the Company (as amended and/or supplemented from time to time), the details of which are set out in paragraph 15.6 of Part V of this document;
"Plus500UK Shareholders' Agreement"	the shareholders' agreement dated 24 December 2009 between Plus500UK, the Company and Dror Sordo relating to Plus500UK, the details of which are set out in paragraph 15.10 of Part V of this document;
"PricewaterhouseCoopers"	PricewaterhouseCoopers – Israel (Kesselman & Kesselman), Trade Tower, 25 Hamered Street, Tel Aviv 6812508, Israel;
"QCA"	the Quoted Companies Alliance;
"QCA Guidelines"	the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA in May 2013;
"Registrar"	Capita Registrars (Guernsey) Limited;

"Remuneration Committee"	the remuneration committee of the Board, the function and composition of which are as set out in paragraph 14 of Part I of this document;
"Sale Shares"	the 28,793,550 Existing Ordinary Shares to be sold by the Selling Shareholders pursuant to the Selling Shareholders Agreement;
"Selling Shareholders"	the Shareholders set out in paragraph 14.5 of Part V of this document;
"Selling Shareholders Agreement"	the agreement dated 18 July 2013 between Liberum Capital, the Company and each of the Selling Shareholders in relation to the Sale Shares the details of which are set out in paragraph 14 of Part V of this document;
"Shareholder"	a holder of an Ordinary Share;
"Short Selling Regulation"	Regulation (EU) No 236/2012 of the European Parliament on short selling and certain aspects of credit default swaps;
"Sparta"	Sparta24 Ltd. registered number 514295096, which is a private Israeli company wholly-owned by Alon Gonen;
"Sterling" "£" and "p" or "pence"	United Kingdom pounds and pence sterling, respectively, the lawful currency of the United Kingdom;
"Takeover Code"	the City Code on Takeovers and Mergers;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UK Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council in September 2012;
"US$" or "USD"	the United States dollar, the lawful currency of the United States;
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
"UTCCR"	the Unfair Terms in Consumer Contracts Regulations 1999; and
"Wavesoft"	Wavesoft Ltd. registered number 514294537, which is a private Israeli company wholly-owned by Gal Haber.

GLOSSARY

"Active Customer"	a customer who makes at least one trade using real money on the Trading Platform during the relevant period;
"Android"	a Linux-based operating system designed primarily for touchscreen mobile devices such as smartphones and tablet computers;
"app"	an application for use on an operating system such as iOS or Android;
"ARPU"	average revenue per user (being total Group revenue in a period divided by the number of Active Customers during the same period);
"AUAC"	average user acquisition cost (being total advertising and affiliate expenses in a period divided by the number of New Customers in the same period);
"CFD"	a contract for difference;
"dealing spread"	the difference between the buy price and the sell price of a CFD;
"demo account"	a demonstration account on the Trading Platform which enables potential customers to experience the Trading Platform without depositing funds with the Group;
"Equity"	the net aggregate of all deposits, withdrawals, cashable bonuses, closed positions and open positions of a particular customer;
"ETF"	exchange traded fund;
"iOS"	a mobile operating system designed primarily for touchscreen mobile devices such as smartphones and tablet computers; developed and distributed by Apple Inc.;
"long position"	the buying of a CFD in anticipation that the relevant underlying instrument will rise in value;
"Marketing Machine"	the marketing software designed and developed by the Group which enables it to monitor the effectiveness of online marketing campaigns and inform marketing spend;
"New Customer"	a customer who has deposited real money into their own account for the first time;
"real money"	currency (other than funds received by way of bonus);
"short position"	the sale of a CFD in anticipation that the relevant underlying instrument will fall in value; and
"Trading Platform"	the Group's electronic trading platform facility (together with any programs, services, upgrades, bug fixes and updates if any, and the underlying code thereto).

KEY INFORMATION

The following information is extracted from, and should be read in conjunction with, the full text of this document. Prospective investors should read the whole of this document, including the risk factors set out in Part III of this document and not rely solely on the following summarised information:

Company Overview

Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 1,700 different underlying global financial instruments, comprising equities, ETFs, foreign exchange, indices and commodities. The Group enables retail customers to trade CFDs in more than 50 countries. The Trading Platform is accessible from multiple operating systems (Windows, smart phones (iOS and Android) and tablets (iOS and Android)) and the internet. The Directors believe that the success of the Group to date, has been primarily due to the self-developed, proprietary technology it has developed and continues to develop to support the Trading Platform.

Key Strengths and Prospects

The Directors believe that the Group has a number of attributes which, collectively, differentiate the Group in the market in which it operates, including, but not limited to:

- a user-friendly and reliable Trading Platform that is consistent across multiple operating systems and devices;
- a focus on online marketing to drive customer acquisition;
- a robust financial risk limitation model;
- a user experience which consistently generates positive feedback;
- a broad range of underlying instruments traded by CFDs;
- a scalable business model; and
- a focus on offering retail (rather than institutional) customers the ability to trade in CFDs.

The Group's senior management team has a strong technical background in software programming and engineering which, combined with their experience of online marketing and customer acquisitions, has led to an emphasis on developing innovative, efficient technology which is accessible by, and attractive to, its customers. The Directors believe that, given the Group's proprietary technology and their marketing expertise, the Group's management team has the ability to achieve further growth of the business.

The Directors believe that the Group is an exciting business providing a substantial opportunity based around the delivery of a CFD trading platform to retail customers in a growing international CFD market. The Directors believe that an increasing awareness and willingness for customers around the world to trade derivative products such as CFDs will offer growth potential to the Group.

Selected Financial Information

The table below shows the audited consolidated results of the Group for the three financial years ended 31 December 2012 and the unaudited consolidated results of the Group for the three months to 31 March 2013. The audited financial information below is extracted or derived from the financial information table set out in Part IV of this document.

	Financial year ended 31 December 2010 US$'000	*Financial year ended 31 December 2011 US$'000*	*Financial year ended 31 December 2012 US$'000*	*Three months ended 31 March 2013 US$'000*
Revenue	24,211	50,028	56,127	19,796
EBITDA	8,222	23,743	23,168	7,867
Profit before tax	8,248	23,051	23,073	6,999
Net assets	1,906	9,422	11,947	12,311

Admission and the Placing

The Directors believe that Admission will:

- increase the profile of the Group in the UK and internationally, thereby helping it to attract New Customers; and
- provide liquidity in the Ordinary Shares.

The New Ordinary Shares to be issued by the Company pursuant to the Placing will represent approximately 12.5 per cent. of the Enlarged Share Capital and will raise approximately £16.6 million gross of expenses (approximately £14.5 million net of expenses) for the Company. The Sale Shares will represent 25.1 per cent. of the Enlarged Share Capital. On Admission, the Company will have a market capitalisation of approximately £132.1 million.

The Directors intend to use the Group's net proceeds of the Placing to:

- invest in additional marketing activities to increase brand awareness;
- penetrate new markets and accelerate growth in existing markets;
- strengthen the Group's balance sheet and capital base;
- give the Group additional flexibility when assessing potential acquisitions; and
- maintain reserve capital surplus to the Group's existing mandatory regulatory capital requirements.

The attention of prospective investors is drawn to the information contained in the rest of this document and, in particular, to the risk factors set out in Part III.

PART I

INFORMATION ON THE GROUP

1. Introduction

Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over more than 1,700 different underlying global financial instruments comprising equities, ETFs, foreign exchange, indices and commodities.

The Group enables retail customers to trade CFDs in more than 50 countries. The Trading Platform is accessible from multiple operating systems (Windows, smartphones (iOS and Android) and tablets (iOS and Android)) and the internet. The Directors believe that the success of the Group to date has been primarily due to the self-developed, proprietary technology it has developed and continues to develop to support the Trading Platform. The Trading Platform has been designed to be as intuitive and easy to use as possible. The Trading Platform has been localised into 30 languages. The Directors believe that this emphasis on technology, together with the Group's targeted online marketing strategy, has helped to differentiate the Group from its competitors.

The Group generates its revenues principally from the dealing spreads on the Trading Platform. In addition, the Group generates revenues from overnight premiums, effectively a financing charge, on certain positions held by customers overnight and gains (offset by losses) on customers' trading positions. The Group does not charge customers a commission on trades.

The Group conducts its operations from three offices which are located in Haifa (Israel), London (United Kingdom) and Sydney (Australia) and as at 17 July 2013 (being the last practicable date prior to the date of this document) the Group had 48 employees.

The Group manages risk in a number of ways, in particular by limiting financial exposure to any individual customer to a relatively low level as well as limiting exposure to any individual instrument. The Group also has in place a hedging policy designed to further manage risk.

2. Key Strengths

The Directors believe that the Group has a number of attributes which, collectively, differentiate the Group in the market in which it operates, including, but not limited to:

- a user-friendly and reliable Trading Platform that is consistent across multiple operating systems and devices;
- a focus on online marketing to drive customer acquisition;
- a robust financial risk limitation model;
- a user experience which consistently generates positive feedback;
- a broad range of underlying instruments traded by CFDs;
- a scalable business model; and
- a focus on offering retail (rather than institutional) customers the ability to trade in CFDs.

3. Strategy

The Group intends to grow its customer base further and increase the proportion of customers who trade frequently and for a longer period of time, resulting in an increase in the number of trades executed on the Trading Platform. The Group proposes to do this by increasing brand awareness and attracting more customers to, and retaining more customers on, the Trading Platform. The Directors believe that increased brand awareness will generate greater ARPU by improving customer perception of the Group and hence willingness to trade on the Trading Platform with greater frequency and in greater quantum. The Directors believe that increased brand awareness has the potential to improve the margin between ARPU and AUAC. The Directors further believe that Admission will help raise brand awareness.

The Group also intends to increase its customer base through entry into new jurisdictions in which it does not currently have customers, and intends to, over time, selectively consider making the Trading Platform available to individuals in such jurisdictions. Where appropriate, it will also consider setting up local offices or subsidiaries in such jurisdictions and/or making acquisitions in such jurisdictions (particularly where such acquisitions might provide it with an established customer base and/or a regulatory licence in jurisdictions that represent growth opportunities).

The Group intends to further increase the number of financial instruments offered for CFD trading on the Trading Platform. The Directors believe that by expanding the product portfolio, the Group will attract more customers to the Trading Platform resulting in an increase in trading activity.

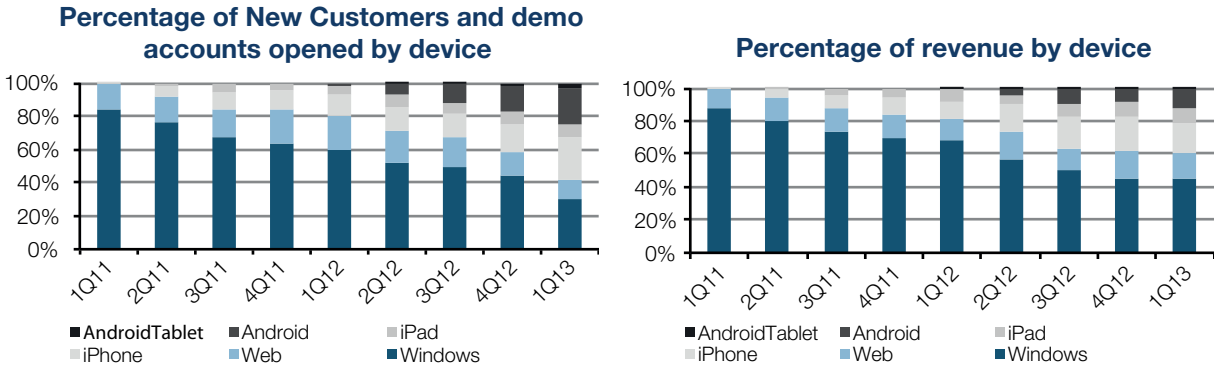
4. History and Development

The Group was established in 2008 by the Founders and is managed from its headquarters in Haifa (Israel).

All of the Founders are actively involved in the Group's business and intend to continue to be so following Admission. The Founders have collective experience in technology companies over the last ten years and the broader management team comprises specialists in technology, online marketing, finance, regulation and financial risk limitation.

In 2009, the Group launched its first PC-based version of the Trading Platform. In 2010, the Group launched an internet browser version of the Trading Platform allowing access to Mac, Linux and smartphone users, and this was supplemented in 2011 with an iOS app for iPhone and iPad. During 2012, the Group introduced an Android app for smartphone and tablet devices. Trades executed on smartphone and tablet devices represented approximately 40 per cent. of all trades executed on the Trading Platform in the three months ended 31 March 2013.

Smartphone and tablet devices are becoming increasingly important to the Group, as illustrated in line charts below:



In June 2010, Plus500UK received authorisation from the FCA which regulates its operations in the UK. Plus500UK also operates in other EEA countries and Gibraltar through a regulatory passporting mechanism. In October 2012, Plus500AU received an ASIC licence which enables it to conduct a financial services business in Australia. The regulatory environment in which the Group operates, particularly outside the EEA, Gibraltar and Australia, is complex. See Parts II and III of this document for further information on the regulatory environment in which the Group operates and key risk factors.

The Group's focus on online marketing has allowed it to develop a customer base spread across a number of countries, with limited reliance on any one country. The largest market by revenue is currently the UK, which represented only approximately 10 per cent. of revenue in the financial year ended 31 December 2012. The EEA and Gibraltar represented 88.7 per cent. of revenue in the financial year ended 31 December 2012. The Group currently operates internationally via apps and websites thereby avoiding the need for offices in each jurisdiction (other than in Israel, the United Kingdom and Australia). The Group employs support staff to maintain localised websites and provide localised online customer support.

5. Summary Operational Performance Information

Set out below is the Group's unaudited historical performance across certain KPIs. The Group intends to publish its performance against these KPIs on a regular basis following Admission.

	Financial year ended 31 December 2010	*Financial year ended 31 December 2011*	*Financial year ended 31 December 2012*	*Three months ended 31 March 2012*	*Three months ended 31 March 2013*
Number of New Customers	20,348	32,874	37,050	9,867	12,356
Number of Active Customers	26,570	45,431	58,343	28,084	34,127
ARPU	US$911	US$1,101	US$962	US$428	US$580
AUAC	US$586	US$603	US$628	US$621	US$758

Note: for the three months ended 31 March 2012 and the three months ended 31 March 2013, the figures above represent only three months of a customer's experience. On average a customer remains an Active Customer for a period longer than three months, therefore these figures cannot be compared like-for-like to the annual numbers.

An increase in ARPU for the financial year ended 31 December 2011 was followed by a decrease in respect of the financial year ended 31 December 2012. The Directors believe that this fluctuation was a result of a decrease in market activity in the financial year ended 31 December 2012.

The three months ended 31 March 2013 show an increase in ARPU compared to the three months ended 31 March 2012, which the Directors believe is a result of increased market activity.

6. Summary of Historical Financial Information

The table below shows the consolidated audited results of the Group for the three financial years ended 31 December 2012 and the unaudited consolidated results of the Group for the three months to 31 March 2013. The audited financial information below is extracted or derived from the financial information table set out in Part IV of this document.

	Financial year ended 31 December 2010 US$'000	*Financial year ended 31 December 2011 US$'000*	*Financial year ended 31 December 2012 US$'000*	*Three months ended 31 March 2013 US$'000*
Revenue	24,211	50,028	56,127	19,796
EBITDA	8,222	23,743	23,168	7,867
Profit before tax	8,248	23,051	23,073	6,999
Net assets	1,906	9,422	11,947	12,311

7. The Group's Business

(a) Products and principal activities

Plus500 has developed and operates an online trading platform for retail customers to trade CFDs internationally over a broad range of underlying financial instruments. The Group currently offers different global instruments, comprising equities, ETFs, foreign exchange, indices and commodities.

A CFD is a contract between two parties linked to the movement of the price of an underlying financial instrument. The contract is an agreement to exchange the difference in the value of that instrument between the time when the contract was opened and when it is closed. The customer commits an initial sum of cash, and is able to leverage this position to gain exposure to the instrument without the need to actually purchase the underlying instrument. CFDs mirror the price movement of the underlying instrument and provide advantages over traditional forms of trading such as the opportunity to take a short position (and thus benefit from declining markets).

The Group only offers the ability to trade in CFDs linked to liquid underlying instruments, in line with what the Directors believe to be a conservative approach to financial risk limitation. The choice of financial instruments offered for CFD trading by the Group is expanding. The Group adds new CFDs on an ongoing basis to take account of market opportunities and trends and to address perceived gaps in the product range as a result of customer feedback. The specific instruments available to each customer may differ, dependent upon the jurisdiction in which they are based.

(b) Financial and business model

The Group's revenues are generated from three sources: dealing spreads, overnight premiums and gains (offset by losses) from customers' trading positions. The Group does not charge its customers a commission on any of their trades. The Group's three revenue streams are detailed as follows:

(i) *Dealing spreads*

The Group earns the majority of its revenue by maintaining a dealing spread on trades of its CFDs. The level of dealing spread on each CFD offered on the Trading Platform is determined by management and is based on real-time market prices. The Group seeks to offer competitive dealing spreads which vary by instrument category.

The quantum of dealing spread on each CFD can be calculated by subtracting the buy price from the sell price of the relevant CFD. By trading a high volume of CFDs each day, the Group is able to generate a significant proportion of its revenues from the dealing spread. For the financial years ended 31 December 2011 and 31 December 2012, dealing spread constituted approximately 65 per cent. and 69 per cent. (respectively) of the Group's revenue.

(ii) *Overnight premiums*

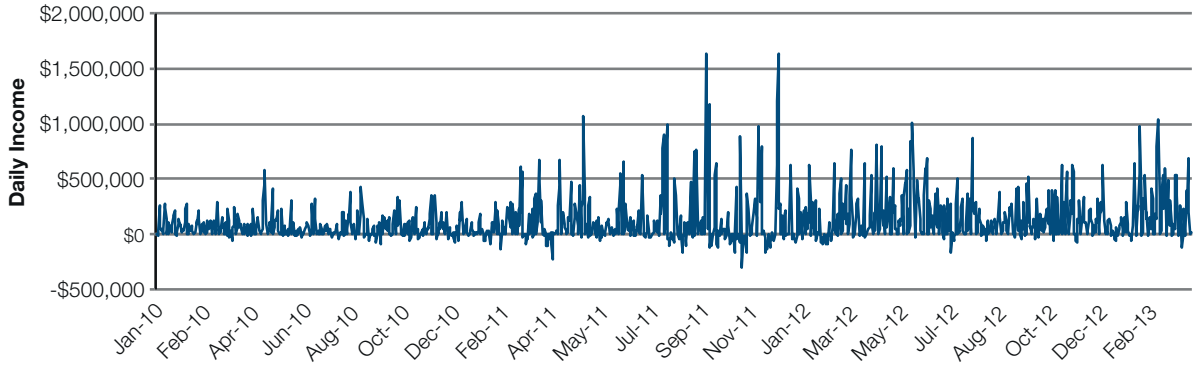
The Group also earns revenue from overnight premiums. Overnight premiums are the fees charged to customers who hold certain positions overnight. When a customer holds a long position overnight through any CFD, or holds a short position overnight through certain CFDs, the customer is charged an overnight premium. Conversely, when a customer holds a short position overnight through certain other CFDs , the Group pays the customer an overnight premium. The charging of premiums on open positions on a per night basis is a differentiator from spread betting where a financing charge linked to the term of the bet is incorporated into the spread bet pricing. For the financial years ended 31 December 2011 and 31 December 2012, overnight premiums constituted approximately 17 per cent. and 22 per cent. (respectively) of the Group's revenue.

(iii) *Profit or loss on customer trading positions*

The Group also earns revenue from gains (offset by losses) on customers' trading positions. When a customer places an order to purchase or sell a CFD, the Group actually sells or purchases the CFD with that customer, even if it does not have a seller or buyer against whom to match that trade. In doing so, the Group acts as principal and takes the risk inherent in the trading position, with the opportunity of gain or loss against the customer only. Net gains/losses to the Group from trading positions represent actual losses/gains made by the Group's customers. For the years ended 31 December 2011 and 31 December 2012, this revenue stream constituted approximately 18 per cent. and 9 per cent. (respectively) of the Group's revenue.

This revenue component has been positive in the three financial years ended 31 December 2012 when considered annually. On a quarterly basis, there have been three quarters (being the first quarter of the financial year ended 31 December 2011, the first quarter of the financial year ended 31 December 2012 and the third quarter of the financial year ended 31 December 2012) when the Group incurred a small net loss from this component of its revenue source even though, quarterly, as well as monthly, aggregate income from all three revenue sources has always been positive.

The Group's daily revenue distribution includes revenues from dealing spreads, overnight premiums and profit or loss on customer trading positions:



As a result of the above sources of revenue, total Group revenue is driven primarily by the number of Active Customers and ARPU. One of the key drivers for New Customer acquisition is marketing campaigns which are predominantly conducted by the Group online. The Directors believe that market newsflow and market activity influences the Group's revenues as the Directors believe that active financial markets with newsflow attract customers who seek to profit from short term movements in the prices of financial instruments. The Group's strategy is to attract retail customers which the Directors believe are attracted to the Group's user-friendly Trading Platform, financial risk limits and range of underlying financial instruments, exposure to which is available with a relatively low capital requirement.

(c) Trading Platform

The Directors believe that the success of the Group is primarily due to the self-developed proprietary technology supporting the Trading Platform:

(i) *Customer interface and back-end to the Trading Platform*

The Trading Platform provides a simple and consistent interface for customers across a number of different devices. It has been designed to be as intuitive and easy to use as possible and is able to provide customers with real-time prices, execution facilities and a multitude of order types. Through these proprietary and user-friendly delivery channels, customers may trade and access their account information online through a number of different mediums, which increases accessibility to, and traffic on, the Trading Platform.

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

The Trading Platform also allows the Group to warn a customer when their Equity is nearing the minimum threshold. Should a customer's Equity fall below a certain threshold the Trading Platform is designed to automatically close open positions held by that customer. This feature of the Trading Platform is designed to prevent a customer losing more than their Equity, thereby minimising the potential credit risk to the Group. The Directors believe that the mechanism designed to prevent a customer generating a negative balance is a key differentiator between the Group and some of its competitors and further believe it to be a positive marketing message when looking to acquire customers. Even in circumstances where a customer's position has remained open and their loss exceeds their Equity the Group has not historically sought to recover such shortfalls from customers and does not currently anticipate a change to this practice.

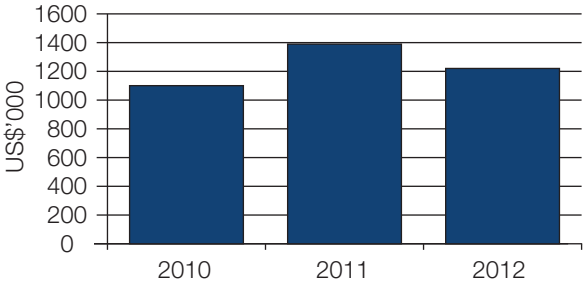
As a result of the Group's self-developed proprietary technology, the Group pays no external licence fees for its core Trading Platform technology. This allows the Group to operate without limiting the amount of time that a customer can use a demo account or placing high thresholds on the minimum amount with which a customer can open a real-money trade. The Trading Platform also provides, free

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

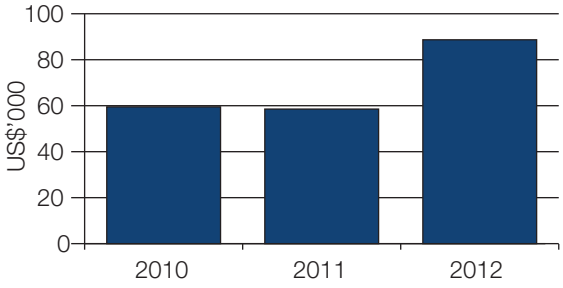
In the financial year ended 31 December 2012, over 10,000,000 trades were closed on the Trading Platform. The Directors believe there is significant scope for the Trading Platform to process more trades, without a material increase in development costs. The Trading Platform is designed to accommodate additional instruments and customers easily, with limited modifications and minimum capital expenditure.

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

Average revenue per employee



Average cost per employee



(ii) *Robust, scalable technology platform and infrastructure*

There has been no downtime of the Trading Platform to date (other than in respect of scheduled maintenance works). The modular server architecture is designed to maximise trade reliability, speed and network security across the Group's network. In addition, the Group operates through a number of different scalable servers, so that if one or more should fail, the remaining servers should be in a position to maintain the Group's operations. The Directors believe that the Group's business model is scalable as a result of the level of automation in the Trading Platform.

The network is protected by firewalls against unauthorised intrusions and, to maximise reliability and security, the Group has developed a backup system in the event the systems are unable to perform. All data held in the network is clustered in a "Storage Area Network" and is automatically backed up every hour with the backups being transported offsite once a week.

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

The Directors believe that as the CFD market continues to experience growth, the Group has the proprietary technology to grow with it with a view to increasing the Group's market share. In addition, developing or acquiring the necessary proprietary technology presents high barriers to entry for new entrants into the market due to the time-consuming and capital-intensive software development which is initially required.

(d) Financial Risk Limitation Policies

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

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

(i) *Trading limits*

Customer limits

Monetary limits are placed on a customer's: (a) exposure to any single instrument; (b) aggregate open positions as a whole; and (c) aggregate deposit amounts. Customer limits are determined with reference to, amongst other things, a customer's credit score, trading history, location and other due diligence results.

The limits placed on individual customers mitigate the risk that the Group becomes reliant on any single customer or small group of customers for its revenue and also means the Group has no significant exposure to the trading positions of any such customers.

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

Plus500 limits

Monetary limits are also placed on the Group's exposure to individual instruments. Such limits are set according to, amongst other things, the asset class of the underlying instrument (for example, foreign exchange, equities, ETF), size and liquidity of the underlying instrument and beta (volatility) of the underlying instrument.

When these limits are reached the Trading Platform automatically ceases to accept additional trades in respect of the relevant underlying instrument until such time as the exposure level falls below the relevant threshold(s).

(ii) *Hedging*

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

- foreign exchange: US$25 million;
- shares: US$5 million;
- indices: US$10 million;
- ETFs: US$10 million; and
- commodities: US$15 million.

If such thresholds are exceeded, an alert is automatically generated by the Trading Platform and the Group will consider hedging against certain indices linked to the relevant underlying instrument(s).

(e) Marketing

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

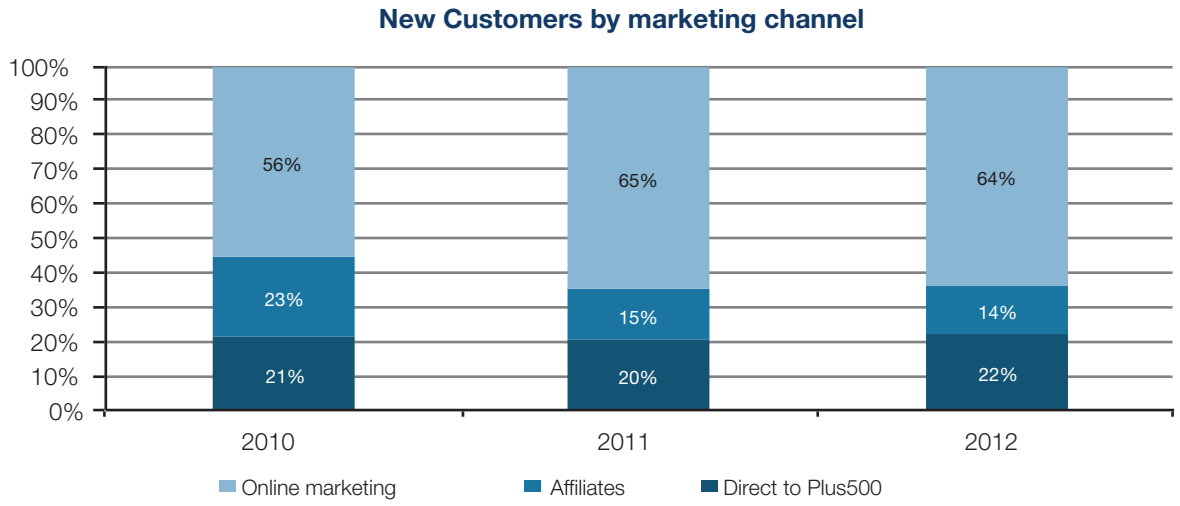
The Group's marketing strategy is to focus on investing in targeted and cost-effective marketing initiatives which provide measurable results for the Group. The majority of advertising is conducted through online channels such as search engine websites, apps and the "500 Affiliates" programme.

Under the "500 Affiliates" programme, the Group maintains a large number of "affiliate" marketing partners, typically operators of one or more websites on which certain products and services are promoted. The Group provides its affiliates with a range of marketing materials designed to direct potential customers to the Trading Platform and affiliates are compensated on a success-basis.

The Group has developed a proprietary marketing software (the Marketing Machine) which helps the Group to monitor the effectiveness of online marketing campaigns and inform marketing spend. The Marketing Machine is capable of producing valuable detailed information on potential customers, such as information on the online advertising campaign through which they joined and whether they were routed via an affiliate, search engine or other online source. The Group is able to analyse this data to determine the conversion

ratios between the "click" on the website and sign-up for a demo account and between a demo account and real money account. In reviewing this information, management are able to calculate the return on investment and the maximum price per click the Group is prepared to pay for a particular online marketing campaign, and as a result, allocate marketing resources more effectively. The Directors believe online awareness of the Group's brand is growing.

The Group also invests in certain offline marketing initiatives through traditional media, such as local and international television advertising, which the Directors believe help contribute to increased brand awareness. The Group intends to increase its use of offline marketing post-Admission with a view to building brand awareness. The Directors believe offline awareness of the Group's brand is growing.



(f) Customer base

Plus500 is a highly customer focussed business as both winning and retaining customers is key to its strategy. The Trading Platform is only used by retail customers and is not available to institutional traders.

In the financial year ended 31 December 2012, no single customer contributed more than one per cent. of total Group revenue.

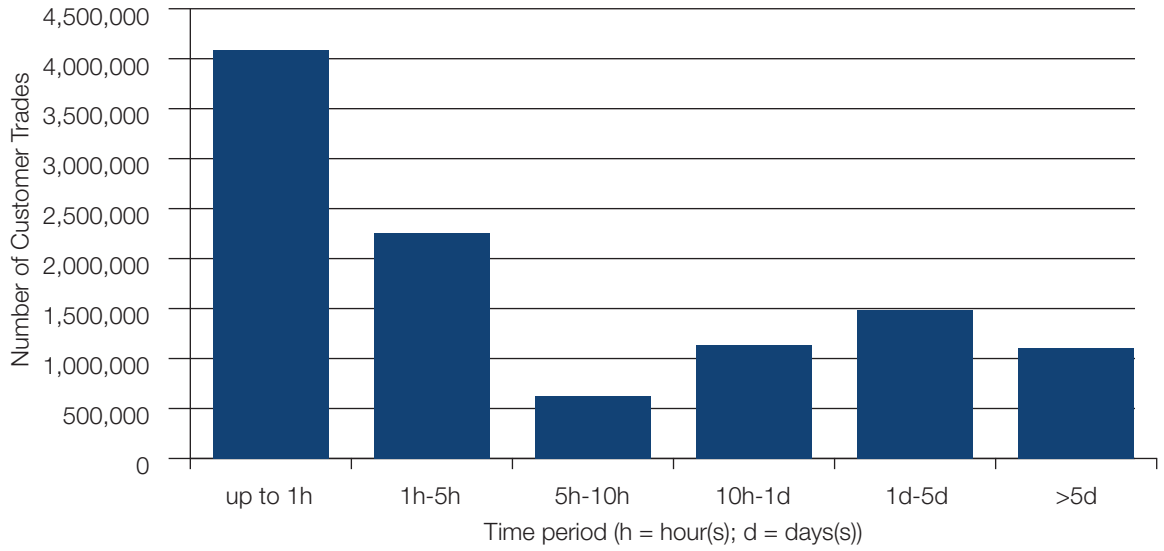
The Directors believe that the Group's business is attractive to customers for several reasons, including, but not limited to, the following:

- the Trading Platform provides a simple and consistent interface for customers across a number of different devices;
- the Group aims to offer competitive dealing spreads which vary by instrument category;
- the Group offers CFDs linked to a broad range of underlying instruments, including foreign exchange, equities, indices, ETFs and commodities;
- the Group's strategy involves offering bonuses which are designed to attract New Customers and encourage existing customers to trade with real-money on the Trading Platform; and
- the demo account provides potential customers with the opportunity to experience the Trading Platform (without depositing real money or risking any capital) for an unlimited period.

The Group measures and analyses its customer base during a relevant period using the following metrics:

- New Customers; and
- Active Customers.

The Directors currently estimate that on average a customer remains an Active Customer for a period of 15 months and generates US$1,700 in revenue for the Group. The majority of customer trades have a duration of less than one day. The chart below shows the duration of customer trades during the period from 1 June 2012 to 31 May 2013:



(g) Markets

The Directors believe that customers are being attracted to CFD trading due to the range of underlying financial instruments and the ability to gain exposure to such instruments with a relatively low capital requirement.

The Directors believe that, internationally, there is an increased acceptance of CFDs both as a viable investment and as a product which offers a simple ability to trade. The Directors believe that, going forward, customers will favour regulated online trading providers with a global reach and, accordingly, the Group continues to enhance and develop its existing Trading Platform and seeks to anticipate market trends and customers' expectations.

The online financial trading industry is competitive and evolving. As an international provider of CFDs, the Group competes primarily against businesses like IG Group Holdings plc, CMC Markets plc and FXCM Inc..

The Group believes it has several key competitive advantages in its marketplace including, but not limited to:

– no commission on trades;

– a technology platform which is not reliant on third party software;

– a simple offering consisting of only CFDs across five underlying asset classes; and

– a user-friendly trading platform which does not limit the amount of time for which a customer can use a demo account and contains measures designed to prevent customers generating a negative balance.

The Group's user review scores online are typically higher than its peers which the Directors believe supports the strength of the Group's offering. In addition, the Group's focus on developing its online brand and presence is reflected in the fact that the Group performs competitively with its peers both on a worldwide basis and in its major markets.

(h) Internationally diversified revenue model

The Group has internationally diversified revenue streams. In the financial year ended 31 December 2012 and in the three month period ended 31 March 2013, revenues deriving from customers based in the EEA and Gibraltar represented 88.7 and 88.5 per cent. of the Group's revenue respectively; revenues deriving from customers based in Asia represented 2.6 and 3.5 per cent. respectively; revenues deriving from customers based in the Middle East represented 5.9 and 5.8 per cent. respectively; and revenues deriving from customers based in other jurisdictions represented 2.8 and 2.2 per cent. respectively.

In the financial year ended 31 December 2011, the percentage of revenues deriving from customers based in the EEA and Gibraltar, Asia, the Middle East and other jurisdictions was 85.7 per cent., 4.5 per cent., 6.2 per cent. and 3.6 per cent., respectively. In the financial year ended 31 December 2010, the percentage of revenues deriving from customers based in the EEA and Gibraltar, Asia, the Middle East and other jurisdictions was 77.1 per cent., 4.1 per cent., 10.3 per cent. and 8.5 per cent., respectively.

8. Current Trading and Prospects

The Directors believe that the Group is an exciting business providing a substantial opportunity based around the delivery of a CFD trading platform to retail customers in a growing international CFD market. The Directors believe that an increasing awareness and willingness for customers around the world to trade derivative products such as CFDs will offer growth potential to the Group.

The Group is trading in line with the Directors' current expectations and the Directors are confident about the prospects for the Group.

9. Reasons for the Placing and Admission and Use of Proceeds

The Directors believe that Admission will:

– increase the profile of the Group in the UK and internationally, thereby helping it to attract New Customers; and

– provide liquidity in the Ordinary Shares.

In addition, the Group is seeking to raise approximately £14.5 million (net of expenses) through the Placing, which will be used to:

– invest in additional marketing activities to increase brand awareness;

– penetrate new markets and accelerate growth in existing markets;

– strengthen the Group's balance sheet and capital base;

– give the Group additional flexibility when assessing potential acquisitions; and

– maintain reserve capital surplus to the Group's existing mandatory regulatory capital requirements.

10. Selling Shareholders

Each of the Selling Shareholders has, pursuant to the terms of the Selling Shareholders Agreement, agreed to sell the Sale Shares at the Placing Price, raising gross proceeds for the Selling Shareholders of £33.1 million in aggregate before their expenses. The Company will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholders. Further details of the terms of the Selling Shareholders Agreement and the number of Sale Shares to be sold by each Selling Shareholder are set out in paragraph 14 of Part V of this document.

11. Details of the Placing

Pursuant to the Placing Agreement and the Selling Shareholders Agreement, Liberum Capital has, on behalf of the Company and the Selling Shareholders, conditionally agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. Further details of the terms of the Placing Agreement and the Selling Shareholders Agreement are set out in paragraph 13 and paragraph 14 (respectively) of Part V of this document.

The New Ordinary Shares to be issued by the Company pursuant to the Placing will represent approximately 12.5 per cent. of the Enlarged Share Capital and will raise approximately £16.6 million gross of expenses (approximately £14.5 million net of expenses) for the Company. On Admission, the Company will have a market capitalisation of approximately £132.1 million.

The New Ordinary Shares will be issued credited as fully paid and will, on issue, rank *pari passu* in all respect with the Existing Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid.

12. Directors and Senior Management

The Directors believe that the technological experience, entrepreneurship and in-depth industry knowledge of the Group's management team has been fundamental to the Group's successful positioning and growth. The Group's senior management team, with the Founders filling six senior executive managerial positions, has been key to delivering the growth of the Group's business. In particular, the management team's strong technical background in software programming and engineering, combined with their experience of online marketing and customer acquisitions has led to an emphasis on developing innovative, efficient technology which is accessible by, and attractive to, its customers. The Directors believe that, given the Group's proprietary technology and their marketing expertise, the Group's management team has the ability to achieve further growth of the business. As at 31 December 2012, the Group had 46 employees.

Board

Alastair Gordon, *Non-Executive Director and Chairman*, 62

Alastair Gordon is a non-executive Director and chairman of the Group. Mr. Gordon has over 15 years' experience in global information management, software and e-commerce.

Mr. Gordon spent 10 years at SDL plc, a provider of global information management and software services, where he served as chief financial officer from 1998 to 2008 and executive director from 1998 to 2010. He played a leading role in the company's initial public offering and helped to grow the business, both organically and by acquisition, to become a FTSE350 company. Mr. Gordon retired as the chief financial officer in 2008 but remained on the board for a further two years as an executive director.

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

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

Charles Fairbairn, *Senior Non-Executive Director and Outside Director*, 51

Charles Fairbairn is a non-executive Director, the senior independent director and chairman of the Audit Committee. Mr. Fairbairn has held similar positions for a number of AIM companies over the past 14 years including Research Now Ltd, the online research company of which he was a founder investor, Statpro Group plc, providing analytics for asset managers, and Brightview plc, an internet service provider.

Mr. Fairbairn graduated from Durham University with a BA (Hons) in Economics in 1983 and then qualified as a Chartered Accountant with Deloitte Haskins & Sells in London in 1986. Having spent seven years at Deloitte Haskins & Sells, he joined Pearson Plc in 1990 as group accountant, group chief accountant and latterly finance director of Pearson New Entertainment, a start-up division. Over the following 15 years, since leaving Pearson New Entertainment in 1998, he has held a number of positions as finance director, executive and non-executive director of a portfolio of companies, helping to develop and scale growth companies from start-ups into global companies. Mr. Fairbairn is an active investor in growth companies and reviews new business and turnaround opportunities, exposing him to a multitude of sectors and business models. He also holds an investment management certificate.

Henry Birch, *Non-Executive Director*, 44

Henry Birch is a non-executive Director of the Company. Mr. Birch has nearly 20 years' of experience in the online betting and gaming space and in online and broadcast media.

Most recently he was the chief executive officer of William Hill Online, the joint venture between William Hill plc and Playtech plc, which managed William Hill's online business. The business established itself as the UK market leader in online gambling and a significant global player, offering its products in 22 languages and with multiple offices including a marketing and technology hub in Israel. Prior to working at William Hill Online, Mr. Birch was the chief executive officer of Leisure & Gaming plc, an AIM-listed company that owned

and operated a number of subsidiaries in the online gambling space. Prior to working at Leisure & Gaming plc, Mr. Birch was the chief operating officer of Bettingcorp Ltd, an Israeli company focussed on the development and operation of online and interactive TV gaming platforms, which was sold to Liberty Media subsidiary Open TV in 2003.

Prior to working in the gambling industry, he was the director of business development for Riffage Inc, an AOL and Bertelsmann backed online music company based in Palo Alto, California, and spent four years working for Time Warner as their public and European affairs manager. Mr. Birch started his career working in the House of Commons for (Lord) David Steel.

Mr. Birch graduated from the University of Edinburgh with a MA (Hons) in Politics and subsequently Stanford Graduate School of Business, California, with an MBA.

Daniel King, *Non-Executive Director and Outside Director*, 47

Daniel King is a non-executive Director and chairman of the Remuneration Committee and Nomination Committee. Mr. King has over 18 years' experience in e-commerce technologies, data and analytics, digital and online media and has extensive knowledge in developing and scaling high-growth companies.

Mr. King sits on the board of a number of companies in the e-commerce and online space. He was previously managing partner of Blue Leaf Capital, a private boutique venture capital and advisory services company based in London. Prior to this Mr. King was managing director of Compete, Inc, a Kantar Media/WPP company where he oversaw the launch of the UK and France businesses. Prior to that he was chief commercial officer for MySupermarket.co.uk where he oversaw all operations for the consumer website, as well as developing and managing the B2B data side of the business – MySupermarket Insights. Prior to joining MySupermarket, Mr. King was managing director of Experian Hitwise, overseeing the company's European operations and was a key member of staff that led to the eventual acquisition of Hitwise by Experian in June 2007.

Daniel is a mentor and judge on London Business School's MBA Entrepreneurship Programme, and is also an advisor and mentor with technology incubator Seedcamp, (www.seedcamp.com) a programme aimed at bringing together next generation start-ups with entrepreneurs, business executives and venture capitalists.

Gal Haber, *Chief Executive Officer*, 39

Gal Haber has nearly 15 years' experience in software programming and business development. One of the Founders, he currently holds the position of chief executive officer and is responsible for the day-to-day running of operations. In particular, he has led the design of the user-friendly Trading Platform, which represents one of the key competitive advantages for the business.

Before founding Plus500, Mr. Haber served as chief operating officer of InterLogic Ltd, a 'skilled games' programme provider for the internet, digital television and mobile devices, which he co-founded in 2004. Previously, Mr. Haber worked for Top Image Systems Ltd, the enterprise content management specialist.

Mr. Haber holds a B.Sc. in Computer Science from the Technion, Israel.

Alon Gonen, *Managing Director*, 36

Alon Gonen is a Founder and has played an integral part in the development of the Group to date. He is responsible for financial risk limitation and the strategic development of the Group. Mr. Gonen holds a Bachelor in Electrical Engineering from the Technion, Israel, and has been involved in commercial software development for over 14 years. Prior to founding Plus500, Mr. Gonen co-founded InterLogic, where he held the position of the chief executive officer and was responsible for the development of mass market 'skilled games' across the internet, digital television and mobile platforms.

Inbal Marom, *Group Chief Financial Officer*, 33

Inbal Marom is currently chief financial officer of Plus500 having joined the Group in 2009. Ms. Marom's responsibilities cover a broad range of business functions including managing all finance departments, regulation compliance, transaction reporting, fulfilling the corporation obligation with regard to the Anti-Money Laundering Authority in Israel, all financial reporting in Israel and liaison with key external advisers.

Prior to joining Plus500, Ms. Marom worked at Carestream, a medical systems manufacturer, as an accountant assistant. Prior to working at Carestream, Ms. Marom was a senior auditor at Deloitte Britman Almagor, handling a variety of client accounts for quoted companies listed in USA, Israel and Europe.

Ms. Marom holds a B.A in Economics & Accounting from Haifa University and is a certified accountant in Israel.

Key Management

Shimon Sofer, *Vice-President Research & Development, Front-Ends*, 38

Mr. Sofer leads the development of the front-end finance platforms, including the desktop trader, web trader (browser and server side), iPhone/iPad, Android phones and tablets.

Prior to founding Plus500, he served as the head of a development department in a technological unit at the Israeli Corps. Mr. Sofer has a B.Sc. (summa cum laude) in computer science from the Technion.

Omer Elazari, *Vice-President Research & Development, Server*, 34

Mr. Elazari is jointly responsible for designing and developing the Trading Platform together with Shlomi Weitzmann.

Prior to founding Plus500, he worked as a chief technology officer at Mevideo Ltd (an internet start-up company) and as a software developer engineer at Intel. He holds a B.Sc. in Information Systems from the Technion.

Elad Ben Izhak, *Vice-President Marketing*, 39

As one of the co-founders of Plus500, Elad Ben Izhak has been responsible for the Group's marketing activities and overseeing the expansion of the marketing department into a team of 10 marketing professionals. He is focussed on delivering targeted marketing initiatives, particularly online and via the Group's affiliates programme.

Mr. Ben Izhak has previously held a number of online marketing and software development management roles and has co-founded two additional online companies. He has a B.Sc. and a Master in Electrical Engineering from the Technion and Tel-Aviv University respectively.

Shlomi Weizmann, *System Architect*, 34

One of the co-founders of Plus500, Shlomi Weizmann designed and developed the Trading Platform with Omer Elazari. He has in-depth expertise in software development, having previously worked as an algorithms developer at Telmap Ltd as well as founding another start-up company.

Mr. Weizmann has a Bachelor of Software Engineering from the Technion.

Elad Even-Chen, *Vice-President Business Development and Secretary*, 27

Elad Even-Chen is responsible for Plus500's global business development projects, working with the senior management team on strategic goals and the Group's international operations.

Mr. Even-Chen is also the head of investor relations for the Group and the Group's secretary.

Mr. Even-Chen is a certified accountant in Israel and, prior to joining Plus500, he was a senior associate at KPMG, specialising in commerce and real estate audit.

Mr. Even-Chen holds a B.A. in Accounting and Economics from Tel-Aviv University and a LL.B Degree from the College of Management. Mr. Even-Chen is currently undertaking an MBA (specialising in Financial Management) at Tel-Aviv University and expects to graduate in around one months' time.

Dror Sordo, *Chief Executive Officer of Plus500UK*, 34

Dror Sordo is responsible for the EEA business management of the Group.

Prior to joining the Group, Mr. Sordo served as an audit manager at Ernst & Young, before moving to be the financial controller of Tidhar Group Ltd., an international real estate group. Mr. Sordo holds a B.A. in Business, Management and Accounting from the College of Management, Israel, and is a certified public accountant in Israel.

Andrew Welsh, *Chief Financial Officer of Plus500UK*, 59

Andrew Welsh manages all financial and regulatory aspects of Plus500UK, including finance, compliance, taxation and regulatory issues.

Mr. Welsh is a chartered accountant with more than 35 years' operational experience in both financial and commercial markets with Deloitte, Initial plc and the investment banking and broking sector. Mr. Welsh has held a number of senior appointments particularly in securities, derivatives and foreign exchange businesses, including Laing & Cruickshank, Credit Lyonnais, Nomura International, Canaccord, ODL Securities (FXCM) and London Capital Group. Mr Welsh is a Fellow of the Securities Institute and has a degree in Chemistry.

13. Lock-in Agreement

The Founders have agreed, pursuant to the terms of the Lock-in Agreement, that (subject to certain limited exceptions) for a period of six months from Admission (the "**Lock-in Period**") they will not dispose of Ordinary Shares (or any interest therein) except with the prior written consent of the Company and Liberum Capital. In addition any disposal of Ordinary Shares between the expiry of the Lock-in Period and the first anniversary of Admission, will be made through Liberum Capital (as the Company's broker from time to time as applicable) in such orderly manner as they shall reasonably determine.

Further details of the Lock-in Agreement are set out in paragraph 15.4 of Part V of this document.

14. Corporate Governance

The Company complies with the corporate governance provisions of the Companies Law.

The Directors recognise the importance of sound corporate governance and confirm that, following Admission, they intend to comply with the UK Corporate Governance Code, to the extent they believe appropriate for a company of its nature and size. The Board also proposes to follow, as far as practicable, the recommendations in the QCA Guidelines, which have become a widely recognised benchmark for corporate governance of small and mid-size quoted companies, particularly AIM companies.

Following Admission, the Board will meet at least four times a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals.

The Board has established audit, nomination and remuneration committees (in accordance with the Companies Law) with formally delegated duties and responsibilities and with written terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Charles Fairbairn has been appointed as the senior independent director.

Audit Committee

The Audit Committee will be chaired by Charles Fairbairn and its other members are Daniel King and Henry Birch. The Audit Committee is expected to meet formally at least four times a year and otherwise as required. It has responsibility for ensuring that the financial performance of the Group is properly reported on and reviewed, and its role includes monitoring the integrity of the financial statements of the Group (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors. In addition, under the Companies Law, the Audit Committee is required to monitor deficiencies in the administration of the Company, including by consulting with the internal auditor and independent accountants, to review, classify and approve related party transactions and extraordinary transactions, to review the internal auditor's audit plan and to establish and monitor whistle-blower procedures.

Remuneration Committee

The Remuneration Committee is chaired by Daniel King and its other members are Charles Fairbairn and Henry Birch. It is expected to meet not less than twice a year and at such other times as required. The Remuneration Committee has responsibility for determining, within the agreed terms of reference, the Group's policy on the remuneration packages of the Company's chief executive, the chairman, the executive and non-executive Directors, the Company secretary and other senior executives. The Remuneration

Committee also has responsibility for: (i) approving and recommending to the Board and the Company's shareholders, the total individual remuneration package of the chairman, each executive and non-executive director and the chief executive officer (including bonuses, incentive payments and share options or other share awards); and (ii) approving and recommending to the Board the total individual remuneration package of the Company secretary and all other senior executives (including bonuses, incentive payments and share options or other share awards), in each case within the terms of the Group's policy and in consultation with the chairman of the Board and/or the chief executive officer. No Director or manager may be involved in any discussions as to their own remuneration.

Nomination Committee

The Nomination Committee will be chaired by Daniel King and will consist of Alon Gonen and Charles Fairbairn. It is expected to meet not less than twice a year and at such other times as required. It has responsibility for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and giving full consideration to succession planning. It also has responsibility for recommending new appointments to the Board.

Israeli law requirements

In accordance with the Companies Law, the Company must always have at least two Outside Directors. The Outside Directors must meet certain statutory requirements of independence. The Company's Outside Directors are currently Charles Fairbairn and Daniel King.

The term of office of an Outside Director is three years, which can be extended for two additional three year terms. Under the Companies Law, Outside Directors are elected by shareholders and approval of the election of an Outside Director must satisfy either of two additional tests:

– the shares voted in favour of the election must include at least a majority of the shares voted by shareholders other than Controlling Shareholders or shareholders who have a Personal Interest in the election of the Outside Director (excluding a Personal Interest that is not related to a relationship with the Controlling Shareholders); or

– the total number of shares held by non-Controlling Shareholders and shareholders without a Personal Interest in the election of the Outside Director (excluding a Personal Interest that is not related to a relationship with the Controlling Shareholders) that voted against the election of the Outside Director must not exceed two per cent. of the aggregate voting rights of the Company.

Subject to the provisions of the Companies Law, an Outside Director can only be removed from office (without his consent) in one or more of the following circumstances:

– by a competent court which, upon the application of either the Company, a director, a shareholder or a creditor of the Company, orders termination of the office of that director because it has determined either that: (a) he is permanently unable to fulfil his functions; or (b) during his appointment he has been found guilty in a court outside of Israel of bribery, deceit, an offence of a manager of a corporate body or an offence involving the misuse of inside information;

– by a competent court which, upon the application of a director or shareholder of the Company, orders the termination of the office of that director because it has determined that he has ceased to fulfil one of the conditions required under the Companies Law for his appointment as an Outside Director or that he has breached his fiduciary duty to the Company; and

– by a shareholders' resolution passed by the same majority required for the appointment of an Outside Director provided that the Board has determined that either: (a) he no longer complies with the conditions set out by the Companies Law for the appointment of such a director; or (b) he has breached his fiduciary duty to the Company.

Any committee of the Board must include at least one Outside Director and the Audit Committee and Remuneration Committee must each include all of the Outside Directors (including one Outside Director serving as the chair of the Audit Committee and Remuneration Committee), and a majority of the members of each of the Audit Committee and Remuneration Committee must comply with the director independence requirements prescribed by the Companies Law.

At least one of the Outside Directors must have "accounting and financial expertise" and any other Outside Director must have "accounting and financial expertise" or "professional qualification," as such terms are defined by regulations promulgated under the Companies Law.

The Audit Committee and the Remuneration Committee may not include the chairman of the Board, or any director employed by the Company, by a Controlling Shareholder or by any entity controlled by a Controlling Shareholder, or any director providing services to the Company, to a Controlling Shareholder or to any entity controlled by a Controlling Shareholder on a regular basis, or any director whose income is primarily dependent on a Controlling Shareholder, and may not include a Controlling Shareholder or any relatives of a Controlling Shareholder.

Individuals who are not permitted to be Audit Committee or Remuneration Committee members may not participate in the meeting of the committees other than to present a particular issue. However, an employee who is not a Controlling Shareholder or relative may participate in the committee's discussions but not in any vote, and the Company's legal counsel and secretary may participate in the committee's discussions and attend the voting.

15. Dividend Policy

The Group has historically paid significant dividends to its shareholders and currently intends to continue to pay dividends both to provide Shareholders with a cash return on their investment and to act as a financial discipline for the Company. The Company currently intends to pay not less than 50 per cent. of retained profits in each financial year out as dividends to Shareholders.

16. Incentive Arrangements

As at the date of this document, the Group does not operate any share incentive schemes or share option plans and no options over Ordinary Shares have been granted.

17. CREST and DIs

CREST is a computerised paperless share transfer and settlement system which allows shares to be held in electronic, rather than paper, form in accordance with CREST Regulations. Securities issued by non-UK registered companies cannot be held or transferred in the CREST system.

However, to enable investors to settle the securities of such non-UK registered companies through CREST, a depositary or custodian in the United Kingdom can hold the relevant securities and issue dematerialised depositary interests representing the underlying securities which are held in trust for the holder of the depositary interests. With effect from Admission it will be possible for CREST members to hold and transfer DIs in respect of such Ordinary Shares within CREST pursuant to a depositary interest arrangement established between the Company and the Depositary. From a practical perspective, DIs can be credited to the same member account as all of the other CREST investments of a particular investor and held and transferred in the same way as the securities of any other companies participating in CREST.

Holders of the DIs will be entitled to receive notices of meetings and other notices issued by the Company, exercise the voting rights attached to the underlying Ordinary Shares and receive any dividends paid by the Company from time to time to the Shareholders.

CREST is a voluntary system and holders of Ordinary Shares who wish to have them held outside of CREST will have their details recorded on the Company's register maintained in Guernsey. The Depositary (through its Custodian) will hold the underlying Ordinary Shares that support the issuance of the DIs in the UK. Further information about CREST and the DIs is set out in paragraph 18 of Part V of this document.

Application will be made for the Enlarged Share Capital to be admitted to AIM. Admission is expected to take place and dealings in the Enlarged Issue Capital to commence, at 8.00 a.m. on 24 July 2013. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first class post within 10 working days of Admission. No temporary documents of title will be issued. Pending receipt of definitive share certificates in respect of the Placing Shares (other than in respect of DIs representing shares settled through CREST), transfers will be certified against the register of members of the Company.

18. Taxation

General information regarding UK and Israeli taxation is set out in paragraph 9 of Part V of this document. If you are in any doubt as to your tax position, you should contact your own independent professional adviser immediately.

PART II

REGULATORY INFORMATION

1. Financial Services Regulation

The Group currently conducts operations in the EEA, Gibraltar, Australia and certain other jurisdictions across Asia, the Middle East and elsewhere.

The Group has two subsidiaries which have been granted licences by regulators: Plus500UK, which is authorised and regulated in the United Kingdom by the FCA and has obtained "passports" allowing it to operate in the EEA and Gibraltar, and Plus500AU, which is authorised in Australia by ASIC.

Failure to operate in accordance with required authorisations, approvals, licences, permits and/or the regulatory framework as a whole in any jurisdiction gives rise to a number of significant risks. For more detail please see Part III of this document (Risk Factors – "Risks Relating to the Legal and Regulatory Framework in which the Group Operates").

Regulatory framework within the United Kingdom

FCA Authorisation

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

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

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

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

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

The FCA considers the regulatory capital requirements of Plus500UK on a standalone basis. Plus500UK is a "full scope BIPRU 730K firm" and is subject to the capital rules set out in the GENPRU and BIPRU chapters in the FCA's handbook of rules and guidance, which include specific capital requirements. As a "full scope BIPRU 730K firm" Plus500UK must ensure that it maintains regulatory capital to meet the higher of: (a) the base capital requirement of €730,000; and (b) the sum of capital requirements to meet its credit risk, market risk and operational risk capital requirements. The Board has resolved that the Company shall, at all time, provide Plus500UK with sufficient funding in order to allow Plus500UK to meet its regulatory minimum capital requirements.

The FCA has classified Plus500UK at the lower end of the firm conduct and prudential classifications used by the FCA which means that the FCA considers Plus500 to be a lower risk firm, in terms of its conduct and prudential arrangements, than other similar firms in the market. The Conduct of Business Rules cover areas such as advertisements and communications, selling, product disclosure, dealing and managing and client reporting. Of particular relevance to Plus500UK's activities are the FCA Rules relating to client categorisation and "appropriateness tests". The FCA Rules require a firm to categorise a client as a retail client, professional client or eligible counterparty. The purpose of client categorisation is to ensure that clients will be given an appropriate level of protection under the FCA Rules. Plus500UK classifies its customers as retail clients who are offered the most protections under the UK regulatory regime. In conducting the "appropriateness test" Plus500UK must determine whether each retail client has the necessary experience and knowledge in order to understand the risks involved in relation to the product and services offered or requested.

In accepting a customer, Plus500UK must do adequate due diligence in order to discharge its obligations under UK anti-money laundering and counter-terrorist financing laws and regulations. In practice, the FCA monitors and supervises FCA authorised and regulated firms' compliance with these laws and regulations. The due diligence process is sometimes known as "Know Your Client", "KYC" or "customer due diligence". Plus500UK has established a procedure to assist compliance with its customer due diligence responsibilities. The FCA Rules also require Plus500UK to provide each of its customers with a client agreement which complies with the FCA Rules, including the requirement that customers are treated fairly, and also with UTCCR.

Financial Promotions

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

Policies and Systems

When executing a customer's trade, Plus500UK must provide "best execution" in accordance with its best execution policy (which forms part of its overall order execution policy and is available to customers on the Plus500UK website). After execution of a customer trade, Plus500UK must report the transaction to the FCA in accordance with the requirements of MiFID and the FCA Rules.

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

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

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

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

– Dror Sordo: director and chief executive controlled functions;

– Andrew Welsh: director, compliance oversight, CASS oversight and Money Laundering Reporting Officer controlled functions; and

– Jolyon Griffiths: non-executive director controlled function.

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

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

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

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

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

Regulatory framework within the rest of the EEA and Gibraltar

In addition to the UK regime described above, there is a pan-European regime established by MiFID which regulates the provision of "investment services and activities" in relation to MiFID financial instruments

throughout the EEA. MiFID requires all EEA persons who are "investment firms" (i.e. persons whose regular occupation or business is the provision of one or more investment services or activities) to be authorised in their state of incorporation (their "home member state"). Plus500UK is a MiFID investment firm.

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

Plus500UK has made the required notifications to allow it to provide investment services on a cross-border basis into all current EEA countries and Gibraltar (with whom there is a special arrangement made under the FSMA (Gibraltar) Order 2001). The scope of the "passport" covers dealing in, receiving and transmitting orders in respect of, and safekeeping and administration of, options, futures, swaps, forward rate agreements and any other derivative contracts and also financial contracts for differences. The "passport" does not cover shares or any other physical securities.

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

The MiFID regime will be subject to change over the next few years as European law makers look to amend MiFID and make a new Markets in Financial Instruments Regulation.

Regulatory framework within Australia

In Australia, firms in the business of providing financial services are subject to regulation by ASIC. The financial services business undertaken by Plus500AU involves it carrying on regulated activities, for which it holds an Australian Financial Services Licence ("**AFSL**"). The licence, granted by ASIC on 9 October 2012, authorises Plus500AU to carry on a financial services business to:

– provide general financial product advice;

– deal in a financial product by issuing, applying for, acquiring, varying or disposing of a financial product; and

– make a market,

in each case in relation to derivatives and foreign exchange contracts and to retail and wholesale clients.

Plus500AU is subject to regulatory capital requirements imposed by ASIC which require (among other things) that it has net tangible assets of the greater of AU$500,000 and five per cent. of its average revenue, with 50 per cent. held in cash or cash equivalents and 50 per cent. held in liquid assets. After 31 January 2014, the thresholds will increase to AU$1,000,000 and 10 per cent. respectively. A report of Plus500AU's net tangible asset position must be included with its annual submission to ASIC. In addition, ASIC must be notified if Plus500AU's net tangible assets are less than what is required or decrease from an amount greater than 110 per cent. of what is required.

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

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

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

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

Regulatory framework of other countries in which the Group operates

General

The Group also has customers in jurisdictions outside the UK, EEA, Gibraltar and Australia. Operations in jurisdictions outside the UK, EEA, Gibraltar and Australia accounted for approximately 11.3 per cent. of the Group's revenues in the financial year ended 31 December 2012. The regulatory and legal framework in these jurisdictions is complex and varies significantly.

The Group decides to operate in such jurisdictions based on its view of: (a) the local legal and regulatory regime in the relevant jurisdiction (in relation to which local advice has been sought by the Group in most (but not all) cases); and (b) the Group's estimation of the legal, regulatory and commercial risk in the relevant jurisdiction (including the likelihood of enforcement action being taken against the Group and/or its directors).

The Group has grown rapidly and as part of this growth has, in the past, commenced trading in a limited number of jurisdictions where operations have been found to constitute, or are likely to constitute, an offence and the penalties (whether civil, criminal, regulatory or other) against the Group or its directors are unknown. The Group has taken measures to mitigate these risks. The Group has adopted a policy, going forward post-Admission, requiring certain action to be taken to reduce risk in any jurisdiction in which the Group plans to begin operations post-Admission. Such policy also requires a higher standard of due diligence, than has previously been undertaken, to be conducted before operations are commenced in any new jurisdiction post-Admission, by requiring a review of the relevant legal and regulatory regime to be conducted by local lawyers in every case.

Israel

The Group currently conducts operations in Israel and does not currently require authorisation. However, in 2010, Israel's Securities Law, 5728-1968 was amended to provide that a person may not publicly offer to execute a securities transaction in a dealer platform, or operate a dealer platform, without a license from the Israel Securities Authority. The effective date of such new law is dependent on the implementing regulations, which were submitted in June 2012 for the Israeli Finance Committee's review and approval but have not yet been approved or adopted. It is unclear whether, when, or in what form the implementing regulations may be adopted. If and when the final implementing regulations are adopted, the Group will need to evaluate whether its activities in Israel, or its operations from Israel to customers outside of Israel, require licensing from the Israel Securities Authority, and consider its ability to obtain and/or maintain such license. There is no guarantee that the Group would be successful in obtaining and/or maintaining such a license from the Israel Securities Authority. The pending legislation gives rise to a risk for the Group.

2. Data Protection and Privacy

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

Regulatory framework within the United Kingdom

The European Union adopted a directive on the protection of individuals with regard to the processing of personal data and the free movement of such data on 24 October 1995 (Directive 95/46/EC) (the "**Data Protection Directive**"). The Data Protection Directive applies to companies established in the European Union or using equipment in the European Union to process personal data. The Data Protection Directive has now been implemented in most European Union jurisdictions in which the Group has customers. In the United Kingdom, the Data Protection Directive has been implemented into law by the Data Protection Act 1998 (the "**DPA**"). The Data Protection Directive (as implemented by local laws including the DPA) imposes restrictions on the collection, use and processing of personal data and guarantee the rights of individuals who are the subject of personal data ("**Data Subjects**") with regards to their personal data. These rights include the right of access to personal data, the right to know where the data originated, the right to have inaccurate data rectified, the right to recourse in the event of unlawful processing and the right to withhold permission to use data for direct marketing.

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

The Data Protection Directive also restricts the ability of data controllers to send personal data outside of the EEA unless the country to which such data is sent has "adequate" data protection measures in place. A small number of countries outside the EEA have been found by the European Commission to provide an adequate degree of protection – these include Israel, Argentina, Canada (to a limited extent), Faroe Islands, Guernsey, Isle of Man, Jersey, New Zealand, Switzerland and Andorra. However, the European Commission has not at this time reached a favourable conclusion about the majority of countries outside of the EEA in which the Group may have customers and to which it may wish to send data. Nevertheless, it is possible under the DPA to transfer personal data to other non-EEA countries where: (i) (in the case of the US) the person receiving the personal data is a member of the "EU-US Safe Harbor" scheme; (ii) where the data controller has appropriately assessed the adequacy of the non-EEA country's data protection laws; (iii) where data is transferred under contracts which have been approved and deemed adequate by the European Commission (known as "model clauses"); or (iv) where the ICO has approved "Binding Corporate Rules". It should be noted that the European Union's data protection and privacy framework is currently undergoing significant amendment and will eventually be amended as a result of consultation currently being undertaken by the European Commission which began in January 2012 and a new regulation is expected to come into force (and be directly applicable to all European Union member states) in 2016.

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

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

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

– planting of the cookie falls within the scope of legislative exceptions.

Plus500UK has adopted a formal cookie and privacy policy, the terms of which are drafted in accordance with applicable data protection laws within the United Kingdom.

Regulatory framework within the rest of the EEA

The Data Protection Directive and E-Privacy Directive have been implemented within most European Union jurisdictions in which the Group has customers, but there are variations in the way in which the member states have chosen to implement such directives. The Group will be responsible for compliance with the local laws of the applicable European Union member states to the extent it is deemed a "data controller" and therefore responsible for compliance with such laws. The Data Protection Directive and E-Privacy Directive do not apply directly to EEA member states which are not part of the European Union, however,

such states are obliged to enact similar laws as a consequence of their membership of the EEA.The Directors believe that compliance with UK requirements (i.e. compliance with the DPA and PECRs) means that the Group is likely to have complied across the EEA to the extent that the UK compliance obligations are applicable in other EEA member states. The Group has not reviewed compliance in these jurisdictions and there is a risk that the Group is not, or will not in the future be, compliant with some specific EEA member state laws. A breakdown of the different laws across the EEA and the Group's compliance with such laws falls outside of the scope of this document.

Regulatory framework within Australia

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

– an individual's name or address;

– bank account details and credit card information;

– photos; or

– information about an individual's opinions and preferences.

The Australian Privacy Act includes:

– ten National Privacy Principles ("**NPPs**") that apply to the handling of personal information by large businesses, all health service providers and some small businesses and non-government organisations based in Australia; and

– credit reporting provisions that apply to the handling of credit reports and other credit worthiness information about individuals by credit reporting agencies, credit providers and some third parties based in Australia.

The NPPs include the following principles:

– what an organisation should do when collecting personal information including what it can collect, collection from third parties and, generally, what it should tell individuals about the collection;

– how an organisation may use and disclose an individual's personal information. If certain conditions are met, an organisation does not always need an individual's consent to use and disclose personal information. There are also rules about direct marketing;

– the steps which must be taken to ensure the personal information an organisation holds is accurate and up-to-date, and is kept secure from unauthorised use or access; and

– how organisations should protect personal information that they transfer outside Australia.

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

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

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

Australian law also includes the Spam Act 2003 (Cth) ("**Spam Act**"). The Spam Act prohibits sending unsolicited commercial electronic messages. The Spam Act's coverage includes emails, instant messaging, SMS and MMS (text and image-based mobile phone messaging) of a commercial nature.

The Spam Act applies to any commercial electronic message with an Australian link, regardless of the size of the business that sent the message. This includes emails sent to anonymous email addresses, where the identity of the individual cannot be reasonably ascertained. The Spam Act partially exempts messages that contain purely factual material.

The Spam Act requires that commercial electronic messages, except where designated as 'exempt', must meet three conditions. They must:

– be sent with the consent of the recipient;

– identify the sender; and

– include a functional unsubscribe mechanism.

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

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

Regulatory framework within Israel

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

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

According to the Israeli Privacy Law, a database owner is obligated to register its database in the registry, if (i) the database contains information on more than 10,000 persons; (ii) the database contains sensitive information; (iii) the database includes information on persons, and the information was not delivered to this database by such people, on their behalf with their consent; (iv) the database belongs to a government agency; or (v) the database is used for direct mail. "Sensitive information" is defined as data on the personality, intimate affairs, state of health, economic position, opinions and beliefs of a person and other information that the Israeli Minister of Justice determined by order to be sensitive information. The Company has not registered its collection of data since the data it collects does not fall within the definition of database under the Israeli Privacy Law; the data collected contains only names, addresses and means of communication with the data subject, and the data contains information on less than 10,000 people in Israel.

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

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

3. Regulatory Proceedings

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

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

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

PART III

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. The risks and uncertainties below are those that the Directors and the Company consider to be material. You should carefully consider the following information about these risks, together with the information contained elsewhere in this document, before deciding to buy any Ordinary Shares. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operation, future prospects or the trading price of the Ordinary Shares, and investors could lose all or part of their investment. The Group has described the risks and uncertainties that it believes are material, but these risks and uncertainties may not be the only ones the Group faces. Additional risks and uncertainties relating to the Group that are not currently known to it, or that it currently deems immaterial, may also have an adverse effect on its business, financial condition, results of operations and future prospects. If this occurs, the trading price of the Ordinary Shares may decline, and investors could lose all or part of their investment.

The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operation, future prospects or the trading price of the Ordinary Shares. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

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

Withdrawal or amendment of regulatory authorisations or non-compliance with, or changes to, the legal or regulatory framework in which the Group operates may have a significant adverse effect on the Group's business and operations

A description of the regulatory environment in the jurisdictions from which the Group derives the majority of its revenue and/or in which members of the Group are based can be found in Part II of this document.

The Group, through Plus500UK, has obtained regulatory authorisation from the FCA in the United Kingdom and provides services throughout the EEA and Gibraltar in reliance on "passports" granted in accordance with MiFID and the Financial Services and Markets Act 2000 (Gibraltar) Order 2001 (however, there may be additional "host state regulations" which apply in Gibraltar or individual states within the EEA despite the Group not having a physical presence in such jurisdictions).

Further, the Group, through Plus500AU, has obtained regulatory authorisation from ASIC to provide certain financial services in Australia.

Withdrawal or amendment of regulatory authorisations in respect of all or part of the business carried on by the Group or in respect of the fitness and propriety of one or more individuals to perform their current roles (including any of the Directors) might oblige the Group to cease conducting a particular type of business or modify the manner in which it is conducted. In particular, if Plus500UK's FCA authorisation were to be withdrawn, the Group would be unable to operate its business in the United Kingdom or throughout the EEA and Gibraltar – such jurisdictions contributed 88.7 per cent. of the Group's revenue for the financial year ended 31 December 2012. In addition, where authorisation of a particular individual has been removed, this would result in the need to allocate to different individuals responsibility for the part of the business which had been that individual's responsibility.

The failure by the Group to obtain prior regulatory authorisation in a jurisdiction where it has operated or the refusal of a regulator to grant that authorisation in a jurisdiction where it may wish to operate could prevent the Group from maintaining or expanding its business.

Further, changes to laws or regulations, including the enactment of new requirements in relation to regulatory authorisation, financial promotions, the use of third party affiliates, taxation, the internet or e-commerce (or a change in the application or interpretation of existing regulations or laws by regulators or other authorities), in any jurisdiction in which the Group currently carries on business might oblige the Group to cease conducting business, or modify the manner in which it conducts business, in that jurisdiction. Such changes

could also have a material adverse effect on the Group's business, financial condition and operating results and/or subject the Group or its directors or customers to additional taxation or civil, criminal, regulatory or other action.

For example, it is envisaged that the FCA will take a more proactive and interventionist approach than its predecessor, the Financial Services Authority, in regulating the conduct of business of investment firms such as Plus500UK. The recent reform of the UK regulatory regime may also lead to changes to conduct of business regulation. In particular, the FCA has product intervention powers which include the power to ban products and services and it can also direct a regulated firm to withdraw or amend an advertisement. The implementation and use of the FCA's new powers and more interventionist approach could place an increased demand on the Group's management, compliance and information technology resources in the mid to long term and could divert resources from the normal operation of the Group's business or the expansion of that business. This could have a material adverse effect on the Group's future operations and consequently on its business, financial condition and operating results. Further, in Israel, where the Company's headquarters are located and where approximately two per cent. of the Group's revenues were generated in the financial year ended 31 December 2012, the regulation and licensing of exchange and alternative trading systems is the subject of pending legislation. In 2010, Israel's Securities Law, 5728-1968 was amended to provide that a person may not publicly offer to execute a securities transaction in a dealer platform, or operate a dealer platform, without a license from the Israel Securities Authority. However, the effective date of such new law is dependent on the implementing regulations, which were submitted in June 2012 for the Israeli Finance Committee's review and approval but have not yet been approved or adopted. It is unclear whether, when, or in what form the implementing regulations may be adopted. If and when the final implementing regulations are adopted, the Group will need to evaluate whether its activities in Israel, or its operations from Israel to customers outside of Israel, require licensing from the Israel Securities Authority, and consider its ability to obtain and/or maintain such license. There is no guarantee that the Group would be successful in obtaining and/or maintaining such a license from the Israel Securities Authority. Further, complying with the regulatory capital requirements and other regulatory requirements that may be imposed by such implementing regulations, if and when adopted, may be costly and adversely affect the Group's ability to operate in a profitable manner from Israel.

Any non-compliance with applicable laws or regulations in any jurisdiction could have a significant impact on the way in which the Group conducts its business. For example, many countries have enacted specific laws prohibiting online gambling or betting and whether, or to what extent, such laws in certain jurisdictions outside the UK apply to the Group's activities is unclear. Any non-compliance with applicable laws or regulations could subject members of the Group or their directors to criminal penalties, civil lawsuits, warning notices, fines (which may be excessive) and/or other sanctions from regulators or authorities, including as has occurred in the past (see paragraph 3 in Part II of this document ("Regulatory Proceedings")). Further, the Group has in the past been, and may going forward be, required to take remedial action to address legal, compliance or regulatory failures and to compensate customers.

Any of the factors described above could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

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

The Group currently has operations in various jurisdictions outside the EEA, Gibraltar and Australia in which it allows its customers to execute transactions over the internet. The regulatory and legal framework in these jurisdictions is complex and varies significantly. The Group decides to operate in such jurisdictions based on its view of: (a) the local legal and regulatory regime in the relevant jurisdiction (in relation to which local advice has been sought by the Group in most (but not all) cases); and (b) the Group's estimation of the legal, regulatory and commercial risk in the relevant jurisdiction (including the likelihood of enforcement action being taken against the Group and/or its directors).

The Group has grown rapidly and as part of this growth has, in the past, commenced trading in a limited number of jurisdictions where operations have been found to constitute, or are likely to constitute, an offence and the penalties (whether civil, criminal, regulatory or other) against the Group or its directors are unknown. The Group has taken measures to mitigate these risks. The Group has adopted a policy, going forward post-Admission, requiring certain action to be taken to reduce risk in any jurisdiction in which the Group plans to begin operations post-Admission. Such policy also requires a higher standard of due diligence than

has previously been undertaken to be conducted before operations are commenced in any new jurisdiction post-Admission, by requiring a review of the local legal and regulatory regime to be conducted by local lawyers in every case and ensuring that such review covers the full scope of the Group's operations in the relevant jurisdiction.

The likelihood of the commission of offences (whether civil, criminal, regulatory or other) going forward in certain jurisdictions remains. Based on its past experience, the Group does not believe that the action which is likely to be taken against the Group in such jurisdictions would be material and, should the directors' assessment of the position in any jurisdiction change, the Group has the ability to close all customer accounts in such jurisdiction so as to attempt to mitigate risk.

Certain past and present members of the Group have been the subject of fines and warning notices from regulators in various jurisdictions in connection with the Group's operations in such jurisdictions (which, in some cases, were being conducted without necessary authorisations or licences). There is a risk that there may be residual liabilities stemming from these matters.

In some jurisdictions, it is not necessarily certain whether laws or regulations are applicable to the relationship the Group has with customers in those jurisdictions or, if they are applicable, the effect of those laws or regulations may itself be unclear. It is also possible that changes to the law (or interpretations thereof) or to the Group's business may have occurred since the legal or regulatory position in relation to any particular jurisdiction was reviewed by the Group. The Group has no formal system in place to ensure that it stays abreast of legal or regulatory developments in such jurisdictions.

In the past, the Group has not operated, or may not have operated, and there is a risk that going forward the Group may not operate, in compliance with the laws (whether civil, criminal, regulatory or other) of some of those jurisdictions from which it is possible to access the Group's products. The Group has taken measures to mitigate these risks. The governments of certain of those jurisdictions may attempt to regulate the Group's products or services or take enforcement action, such as bringing prosecutions against the Group or its directors, for violations of relevant laws and regulations. Such circumstances could also result in or contribute to the FCA imposing a sanction on Plus500UK including withdrawal of its regulatory authorisation. Any such action could make it difficult for the Group to operate its international business in its current or anticipated form. In addition, the Group or its directors could become liable to administrative, criminal, financial or other penalties in certain jurisdictions in relation to past or future conduct, or could be unable to enforce claims against customers who are nationals or residents of those jurisdictions and/or such customers may be able to claim compensation from the Group for their losses.

Additional risks exist, for example, in response to legal concerns in the United States, the Group has implemented measures designed to ensure that neither its website nor the Trading Platform is available to persons located in the United States and certain other jurisdictions. There can, however, be no assurance that the Group will in every instance be successful at filtering out customer applications received from persons located in restricted jurisdictions. It is also possible for existing customers to access the Trading Platform from jurisdictions where the Group is not authorised to trade (other than certain jurisdictions, such as the United States, in which the Trading Platform is blocked) if they physically move to such a jurisdiction. Either of such circumstances could result in a regulator in a relevant jurisdiction taking enforcement action against the Group for unauthorised trading. Further, although the Group's website is blocked to certain known restricted jurisdictions (such as the United States), the website is accessible from many other jurisdictions in which the Group does not currently operate and in relation to which it has not sought or received advice as to whether or how it is permitted to operate. Whilst the Group has systems in place designed to prevent a customer application from such a jurisdiction being accepted, such systems are subject to human and technological error, and fraud on the part of a customer. If a customer in such a jurisdiction were to open an account on the Trading Platform, this could subject the Group to legal and/or regulatory action and/or liability in the relevant jurisdiction. There is also a risk that a customer could mask their IP address in order to access the Trading Platform from a blocked jurisdiction, which could result in regulatory action being taken against the Group in that jurisdiction.

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

Customer complaints may affect the Group's business and operations

In the past, the Group has received complaints from its customers which have resulted in the Group being required to take certain action, including the payment of compensation to the relevant customer or remedial action to correct system failures. Certain of these complaints are outstanding as at the date of this document, and it is highly likely that the Group will receive further customer complaints going forward in the ordinary course of business.

Material customer complaints could result in the Group incurring significant costs or being required to pay a high level of compensation to the relevant customer, or could affect the Group's reputation, any of which could have a material adverse effect on the Group's business or operations.

The outsourcing of systems and functions to the Company in Israel may attract regulatory attention

Plus500UK's back office processes, including customer take-on, customer services and know your client and anti-money laundering processes, are carried out by the Company in Haifa, Israel. In the past, the FCA has noted that there is a higher risk of systems and controls failings as a result of back office processes being outsourced in this manner. There is a risk that the Group would need to change such practices due to the pending Israeli regulations described above (if and when adopted). Any requirement to change the nature or scope of the method or operation of outsourcing of back office processes (for example, from Plus500UK to the Company) could result in disruption to the Group's business.

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

Plus500UK and Plus500AU are required to meet capital adequacy tests in certain jurisdictions in which they operate, in order to ensure that the Group has sufficient capital so as to not to put it at significant risk from market movements and customer and other counterparty default.

Currently, Plus500UK is required to maintain adequate regulatory capital on a solo basis. The FCA has wide discretion to change the substantive information it requires in satisfaction of the regulatory capital rules or the basis on which it calculates Plus500UK's regulatory capital requirements, as well as the option to impose individual capital guidance on Plus500UK if it considers the amount and type of capital that it holds to not be appropriate (including in light of the FCA's assessment of the market or operational risks of Plus500UK). Failure to implement the recommendations in the FCA's individual capital guidance could lead to enforcement action being taken against Plus500UK. Furthermore, the regulatory capital requirements in the United Kingdom may be subject to change in the future, in particular as a result of implementation of the proposed European legislative package known as "MiFID 2" which is likely to impose more stringent capital requirements on Plus500UK.

There can be no assurance that third party financing, if required to meet regulatory capital requirements, will be available on commercially acceptable terms, if at all.

The minimum capital requirements to which Plus500UK and Plus500AU are subject may affect the Group's ability to distribute profits which it would otherwise be permitted to distribute. In addition, any changes to the regulatory capital requirements in any of the jurisdictions in which the Group operates could restrict the pace of the Group's expansion or affect the balance of the products the Group is able to offer and/or the jurisdictions in which it is allowed to offer them. For example, ASIC currently requires Plus500AU to have net tangible assets of the greater of AU$500,000 or five per cent. of its average revenue, however after 31 January 2014 this will increase to AU$1,000,000 and 10 per cent. respectively. Further, capital requirements may be imposed on the Company in Israel if and when the new regulations described in Part II of this document are adopted, which may be stringent and adversely affect the ability of the Group to operate from Israel in a profitable manner, or at all.

Any such change in the Group's regulatory capital requirements could have a material adverse effect on the Group's business, financial condition and results of operations.

The terms of current and proposed European Union Directives could restrict the Group's business and implementation of those Directives could place a significant demand on the Group's resources

Plus500UK must comply with the pan-European regime established by MiFID, which became effective on 1 November 2007 and regulates the provision of investment services and activities throughout the EEA. MiFID sets out detailed requirements governing the organisation and conduct of business of investment firms and regulated markets. It also includes best execution obligations, appropriateness tests, client categorisation procedures, pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements. The UK has adopted those MiFID requirements into national legislation and the FCA Rules, as have those other EEA jurisdictions in which the Group has a presence. The withdrawal or removal of any country from the EEA would remove that country from the operation of MiFID, which could adversely affect the Group's ability to offer its Trading Platform to customers in that jurisdiction.

In the aftermath of the financial crisis, the European Commission set out a detailed plan for European Union financial services regulatory reform, outlining a number of initiatives to be reflected in new or updated directives, regulations and recommendations. If and when implemented, these will have direct and indirect effects on the Group's operations in the EEA. In particular, a review of MiFID by the European Commission has led to the publication of a draft amended Directive and a draft new Markets in Financial Instruments Regulation and Markets in Financial Instruments Directive (known as "MiFID 2"). The proposals, if implemented, could have wide ranging and significant implications for Plus500UK. The implementation of the proposals is not expected until 2015 and at this stage it is not possible to evaluate clearly their impact on Plus500UK. It is expected, however, that the proposals are likely to increase Plus500UK's compliance burden and regulatory risks.

EMIR came into force on 15 August 2012. Under EMIR, Plus500UK will have an obligation to report its derivatives trades to a trade repository. This obligation will not become a requirement until 1 January 2014 at the earliest, however, it is likely to result in higher compliance costs for Plus500UK.

In addition, the forthcoming EU Short Selling Regulation may place some restrictions on the Group's hedging strategies and may lead to enhanced reporting depending on the extent of any net short positions in EU-listed shares that any member of the Group may have.

The European Commission has also published proposals to replace the Directive of the European Parliament on insider dealing and market manipulation (2003/6/EC) with a regulation on insider dealing and market manipulation with an accompanying Directive on criminal sanctions. There are also ongoing plans to reform the framework to which regulated firms are subject, including in relation to regulatory capital and the protection of client assets, which will have a direct effect on a part of the Group's EEA operations.

The implementation of any such changes could place a significant demand on the Group's management, compliance and information technology resources and could divert them from the normal operation of the Group's business or the expansion of its business. Further, once implemented, such changes could have a material adverse effect on the Group's future operations and consequently on its business, financial condition and operating results.

The activities of the Group's affiliates under the "500Affiliates" programme could give rise to legal and regulatory risks

The "500Affiliates" programme is an extensive affiliates network with approximately 40,000 affiliates in total and approximately 5,000 active affiliates based in numerous different jurisdictions who have brought business to the Group to date. Revenue generated from the "500Affiliates" programme accounted for approximately 14 per cent. of the Group's total revenue during the financial year ended 31 December 2012 and the Directors consider that it is an integral component of the Group's marketing strategy. As part of the affiliate registration process, the Group carries out anti-money laundering checks on potential affiliates but does not otherwise vet or restrict prospective affiliates from joining the programme. Further, once an affiliate has signed up to the programme, the Group has no automated mechanism through which it can monitor or control its affiliates' activities but instead carries out manual checks. These factors could expose the Group to risks associated with the activities of affiliates who advertise the Plus500 brand (including in connection with bribery and corruption). For example, there have been instances in which the marketing literature provided to affiliates has required updating in order to be compliant with financial promotions regimes in certain jurisdictions, and affiliates have failed to make such updates in a timely manner. Should an affiliate use the

Plus500 name in a manner which is unauthorised by the Group, this could give rise to reputational and legal risks, which in turn could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

Further, the Group has not investigated the local laws and regulations which may apply to its affiliates' activities or the relationship between the Group and its affiliates, and the Group has no visibility or control over whether the affiliates are conducting their advertising activities in accordance with such laws and regulations. There is a risk that liability for activities of affiliates which are in breach of local laws and regulations could attach to the Group and result in civil, criminal, regulatory or other penalties being imposed upon the Group or its directors, or that such activities could result in or contribute to action being taken against the Group by a regulator in any relevant jurisdiction. In order to mitigate the impact of this risk on the Group, the standard agreement which has been entered into with the majority of the Group's affiliates includes an indemnity in favour of the Group in relation to losses arising in connection with an affiliate's operations. However, the Group has entered into contracts with certain affiliates on terms which differ from the standard affiliation agreement and do not contain such an indemnity. Further, in at least one case, the agreement entered into with an affiliate contains an indemnity from the Company in favour of the affiliate in connection with the advertising services provided by the affiliate. The Group is therefore not adequately protected from risks associated with the activities of its affiliates. There is also a risk that activities of affiliates could result in adverse tax, legal or regulatory consequences for the Group or that the application of laws and regulations in any jurisdiction (for example, in connection with the Directive 86/653/EEC which deals with the relationship between commercial agents and their principals) could imply certain terms into the relationship between the Group and its affiliates which could have a material adverse effect on the Group's business, financial condition and operating results.

Individuals or entities attempting to pass themselves off as associated with the Group could cause reputational damage to the Group.

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

Laws, regulations or rules in the United Kingdom or other jurisdictions where the Group operates could result in customer agreements being deemed unenforceable as against the customer

The Group's retail customers are classified as "consumers". The Group is required to comply with UK consumer protection laws such as the Unfair Contract Terms Act 1977 and UTCCR, breach of which could result in the Group being subject to regulatory sanctions, receiving customer complaints and claims for losses, and not being able to enforce contracts against its customers. Similar consumer protection laws in other jurisdictions could have the same result. Any such events would damage the Group's reputation and impact its business, financial condition and operating results. Further, the contract in place between the Group and a customer may be deemed void or unenforceable in certain jurisdictions if construed as a contract for gambling or betting or otherwise contrary to public policy. Although the Group has not faced a claim of this kind to date, there is a risk that customers who have executed a trade on the Trading Platform could later demand to recover any funds they have lost as a result of such trade. If such claims were successful, this could have a material adverse effect on the business, financial condition and operating results of the Group.

Regulation of the internet and e-commerce is rapidly evolving and changes could adversely affect the Group's business

Regulation of the internet and e-commerce is rapidly evolving and there are an increasing number of directly applicable laws and regulations. It is possible that additional laws and regulations may be enacted with respect to the internet, covering issues such as user privacy, law enforcement, pricing, taxation, content liability, copyright protection and quality of products and services. The adoption of such laws and regulations could materially adversely affect the Group's business.

The Group must comply with data protection and privacy laws

The Group's operations are subject to a number of laws relating to data privacy, including the United Kingdom's Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 as well as relevant non-EEA data protection and privacy laws. The requirements of these laws may affect the Group's ability to collect and use personal data and also to plant and use cookies in a way that is of commercial use to the Group if the Group does not ensure its adherence to appropriate compliance procedures. Breach of data privacy legislation could result in the Group being subjected to claims from its customers that it has infringed their privacy rights, and it could face administrative proceedings (including criminal proceedings) initiated against it by the data protection regulator of the relevant jurisdiction in which the Group operates. In addition, any enquiries made, or proceedings initiated by, individuals or any of such regulators may lead to negative publicity and potential liability for the Group, which could materially adversely affect its business.

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

The Group is reliant on online marketing channels to advertise its business and increase its customer base. However, in certain jurisdictions, including the UK, the promotion of investment activities is regulated, which restricts the manner in which the Group may advertise in that jurisdiction.

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

In the past, the Group has been in breach of, or may have been in breach of, and there is a risk that going forward the Group may not be in full compliance with or may be in breach of, the laws and regulatory requirements regarding the promotion of investment activities in some of the jurisdictions in which it advertises. Any non-compliance with such applicable laws or regulatory requirements could subject members of the Group or its directors and/or employees to disciplinary action, criminal penalties, civil lawsuits and/or fines. Further, there is a heightened risk of the FCA imposing a sanction on Plus500UK as a result of repeated instances of non-compliance with the financial promotions regime. Any such action could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

No assurance can be given that new laws, rules or regulations will not be enacted, or existing requirements applied, in a manner which would restrict or curtail the Group's current advertising activities (including its use of third party affiliates for advertising). Any restriction on the Group's ability to advertise in a particular jurisdiction or jurisdictions could have a material adverse effect on the Group's business, financial condition and operating results.

RISKS RELATING TO THE GROUP'S TRADING ACTIVITIES

If the Group fails to attract New Customers and maintain its Active Customers, its growth may be impaired

The Group's profitability and growth depends on increasing its Active Customer base in a cost-effective manner. The Directors believe the Group's ARPU is lower than many of its competitors due to the nature of the Group's customer base (being comprised of retail customers rather than institutional traders). The Group is therefore dependent on maintaining a large number of Active Customers which requires the attraction of New Customers due to the length of time for which customers remain active on average. Although the Group has spent significant financial resources on advertising and related expenses and plans to continue to do so, there are no assurances that these efforts will be cost effective in attracting New Customers. Failure to maintain a level of Active Customers, such as occurred during the period between 1 July 2012 and 31 December 2012, could have an adverse effect on the Group's business and operations.

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

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

Any one of the following factors, among others, may cause a substantial decline in the trading volume of the financial markets in which the Group offers its products and services, which would have a material adverse effect on the Group's business, financial condition and operating results. These factors include legislative and regulatory changes, the volatility of interest and foreign currency exchange rates and equity and commodity markets and declines in the disposable income of the Group's customers.

Ongoing financial instability has had, and may continue to, have a material adverse effect on the world economy, consumers and financial market participants. These or similar events have in the past increased or prolonged, and may in the future increase or prolong, negative economic conditions which could have a material adverse effect on the Group's business, financial condition and operating results.

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

The Group generates the majority of its revenue from customers in the EEA and Gibraltar, which in aggregate accounted for 88.7 per cent. of the Group's revenue in the financial year ended 31 December 2012. The occurrence of any negative political or economic events within the EEA could result in significant revenue shortfalls which could cause the Group's business to be harmed. Such events could include the collapse of the euro as a currency, the break-up of the eurozone or the withdrawal or removal of an existing member state (including the UK) from the EEA.

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

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

The Group may suffer losses if its reputation is harmed

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

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

The Group's future growth and success depends, in part, upon the leadership and performance of its management team, many of whom have significant experience in the technology sector and would be difficult to replace. In particular, the Group is highly dependent on the continued services of the Founders, other members of the Group's senior management team and other key employees, including technical personnel and compliance officers. The agreements in place with certain members of the Group's management team (including the agreements with, or in respect of the services provided by, the Founders) allow the relevant individual to resign from the Company upon a 60 day notice period. The loss of any of the Founders, any members of the senior management team or other key employees, the inability to recruit sufficient, qualified personnel, or the inability to replace departing employees in a timely manner could have a material adverse effect on the Group's ability to run its business and, accordingly, on its financial condition and operating results.

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

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

The design and implementation of the Group's financial risk limitation procedures and practices have in the past been, and going forward will be, subject to human error, technological failure and fraud. There can be no assurance that the Group will set financial risk limitation parameters accurately, that its testing and quality control practices will be effective in preventing technical software or hardware failure or that its employees will accurately and appropriately apply the Group's financial risk limitation procedures. Any failures in this regard could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

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

The Group's internal controls over financial reporting may not be effective. A lack of effective internal controls could have a material adverse effect on the Group's reputation, business, financial condition and operating results. Any material weaknesses may materially adversely affect the Group's ability to report accurately its financial condition and results of operations in the future in a timely and reliable manner.

A reduction in the availability of credit cards as a payment alternative for customers of the Group's operations could damage the Group's business

The Group currently accepts credit and debit card payments from customers. In 2001, certain US-based card issuing institutions decided to require online gambling merchants to affix codes to bank card transactions involving payments related to online gambling. The codes permit the issuing banks to refuse to authorise or otherwise block transactions related to online gambling. It is possible that in future, major card issuing institutions may restrict the use of credit and debit cards in respect of online trading of CFDs and this may result in a reduction in the availability of credit cards as a payment alternative for the Group's customers, which could have a material adverse effect on the Group's business and operating results.

Furthermore, payments by credit card expose the Group's business to the risk of cancelled credit card transactions, which again could have a material adverse effect on the Group's reputation, business, financial condition and operating results.

RISKS RELATING TO THE GROUP'S TRADING SYSTEMS

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

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

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

- fire, flood or natural disasters;
- power or telecommunications failure;
- computer hacking activities; or
- acts of war or terrorism.

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

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

The Group has disaster recovery procedures in place which involve data held in its network being automatically backed up every hour with the backups being transported offsite once a week for additional security. The offsite data is retained for a period of four weeks. Whilst such procedures are intended to mitigate the effects of events such as those listed above on the Group's business, there can be no assurance that such policies can account for and protect against all eventualities or that they will be effective in preventing any interruption to the operations and systems of the Group. Whilst to date there has been no significant malfunctioning of the Group's technology and systems, any such events could result in a lack of confidence in the Group's services, a possible loss of existing customers to its competitors and potential liabilities, with a consequential material adverse effect on the Group's operations and results. In addition, financial services regulators expect that systems will be resilient and able to handle unexpected stresses. Any failure of the Group's systems could result in the FCA or ASIC (or any other applicable regulator) taking regulatory enforcement action against the Group.

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

The online trading industry is characterised by rapid technological changes and evolving industry standards. Customers constantly demand more sophisticated products and services and customer preferences change rapidly. To remain competitive, the Group must continue to innovate, further enhancing and improving the responsiveness, functionality, accessibility and other features of its Trading Platform. The success of the Group depends on its ability to anticipate and respond to technological changes and customer preferences in a timely and cost-effective manner. The Directors believe that the Group is well placed to respond to these challenges bearing in mind that key technologies are developed in-house allowing it to respond to changes in customer preferences quickly and efficiently. However, there can be no assurance that the Group will be

able to effectively anticipate and respond to technological changes and customer preferences in the future. Failure to do so could have a material adverse effect on the Group's business and operating results.

The business of the Group is dependent on the continued growth and maintenance of internet infrastructure

The Group's business is dependent on the internet and on the continued growth and maintenance of internet infrastructure. There can be no assurance that internet infrastructure will continue to be able to support the demands placed on it by continued growth in the number of customers and amount of traffic.

To the extent that internet infrastructure is unable to support the demands placed upon it, the Group's business may be adversely affected. For example, the internet has experienced outages and delays, and future interruptions could harm relationships that the Group has with its customers.

The Group may also suffer from the adverse effect of the delay or cancellation of government programmes designed to expand broadband access. The reduction in the growth of, or a decline in, broadband and internet access in a certain country could impair its customers' ability to access the Trading Platform in that country which could have a material adverse effect on the Group's business and operating results.

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

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

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

The Group is reliant on third parties to provide online marketing services. Any increase in the cost of online marketing channels, or termination of a contract by one of the few key providers of online marketing services to the Group (such as Google), including as a result of a breach of contract by the Group, could adversely affect the Group's ability to achieve its advertising objectives and consequently its business, financial condition and operating results.

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

Due to its fast-growing nature, the terms on which the Group has contracted with customers, affiliates and suppliers have differed over time and therefore the contracts in place with certain customers, affiliates and suppliers are not on standard terms across the Group. In some cases, the relevant contract is not clear, may be unfair or onerous on the counterparty, does not limit the Group's liability, allows the counterparty to terminate its arrangement with the Group on a very short notice period, does not allow the Group adequate flexibility as regards termination of its arrangement with the counterparty, restricts the Group's ability to licence intellectual property and/or contains an indemnity from the Group in favour of the counterparty. The terms of such a contract, a claim against the Company under such a contract or the termination of such a

contract by the relevant counterparty could adversely affect the Group's business, financial condition and operating results.

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

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

The Group has not filed any patent or other applications or registrations covering its software. Therefore, the Group seeks to protect the proprietary software developed by its key employees (in the course of their employment with the Group) by including relevant provisions in their employment contracts. However, the Group cannot guarantee that its employees will not claim intellectual property rights in the works that such employees create.

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

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

RISKS RELATING TO THE GROUP'S FINANCIAL CONDITION

The Group has a limited operating history

The Company was established in 2008 and the Group released its first product in 2009. The Group therefore has a limited operating history and a relatively new business model for investors to evaluate the potential of its business development and future success. Furthermore, the implementation of the Group's business strategy is in its early stages and subject to all of the risks inherent in the establishment of a new business venture. Accordingly, the Group's intended business and operations may not prove to be successful in the near future, if at all. Any future success the Group might enjoy will depend upon many factors, several of which may be beyond its control, or which cannot be predicted at this time, and which could have a material adverse effect upon the Group's financial condition, business prospects and operations and the value of an investment in the Group.

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

Since the Group reports its financial results in US dollars, fluctuations in rates of exchange between the US dollar and non-US dollar currencies may have a material adverse effect on the Group's results of operations. The Group generates its revenues in a variety of currencies, including the euro, Sterling and the NIS. As a result, some of the Group's financial assets are denominated in these currencies and fluctuations in these currencies could adversely affect its financial results. The Group does not currently engage in any currency hedging transactions intended to reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. If the Group were to determine that it was in its best interests to enter into any currency hedging transactions in the future, there can be no assurance that the Group will be able to do so or that such transactions, if entered into, will materially reduce the effect of fluctuations in foreign currency exchange rates on its results of operations. In addition, if, for any reason, exchange or price controls or other restrictions on the conversion of one currency into another currency were imposed, the Group's business could be

adversely affected. Although exposure to currency fluctuations to date has not had a material adverse effect on the Group's business, there can be no assurance such fluctuations in the future will not have a material adverse effect on revenues from international sales and, consequently the Group's business, operating results and financial condition.

Unavailability of capital in the future may require the Group to raise additional financing or reduce the scope of its operations

The Group currently has no debt financing facility in place. To the extent that available capital resources in the future are insufficient to fund activities in the long term or to maintain any necessary regulatory capital requirements in the United Kingdom, Israel, Australia or other jurisdictions in which the Group operates or elects to operate in the future, or if the Group's actual revenue or operating profit is lower than estimated, the Group may need to raise additional funds through public or private financings. If adequate funds are not available to satisfy its requirements, the Group may be required to reduce its scope of operations or anticipated expansion significantly, refinance any outstanding obligations or forego market and acquisition opportunities, all of which could have a material adverse effect on the Group's business, financial condition and operating results.

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

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

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

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

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

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

The Group's operations could be disrupted by the absence for significant periods of one or more of its Founders, executive officers, key employees or a significant number of other employees because of military service. A number of the Group's executive officers and the majority of its male employees in Israel are obliged to perform military reserve duty, which accumulates over a period of three years from several days to up to 108 days in special cases and circumstances specified under applicable law. The length of such reserve duty depends, among other factors, on an individual's rank and position in the military. In addition, if a military conflict or war occurs, these persons could be required to serve in the military for extended periods of time. Any disruption in the Group's operations as the result of military service by key personnel could harm its business.

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

The Company is organised under the laws of the State of Israel and all of its Founders, executive Directors and the majority of its senior management team are based in Israel. Therefore, it may be difficult for an investor, or any other person or entity, to collect a judgment obtained in the United Kingdom against the

Company or any of these persons, or to effect service of process upon these persons in the United Kingdom. Furthermore, it may be difficult to assert English securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of English securities laws on the grounds that Israel is not the most appropriate forum in which to bring such a claim. Even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not English law is applicable to the claim. If English law is found to be applicable, the content of applicable English law must be proved as a fact which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above.

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

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

In particular, a shareholder of an Israeli company has a duty to act in good faith toward the company and other shareholders and to refrain from abusing his power in the company, including, among other things, in voting at a general meeting of shareholders on certain matters. Israeli law provides that these duties are applicable in shareholder votes on, among other things, amendments to a company's articles of association, increases in a company's authorised share capital, mergers and interested party transactions requiring shareholder approval. In addition, a Controlling Shareholder, a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote, and a shareholder that possesses the power to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company.

The power of the Company to allot and issue shares is exercisable by the Board at such times and on such terms and conditions as the Board may determine, subject only to the limit on the Company's authorised share capital, which may be amended by ordinary resolution of the Company. Shareholders do not have pre-emption rights under Israeli law over further issues of shares of the Company, except to the extent that such right is expressly included in a company's articles of association. The Articles contain pre-emption rights in favour of Shareholders in respect of the allotment or issue of securities which are, or are to be, paid up in cash, further details of which are set out in paragraph 5.4 of Part V of this document. Pursuant to a resolution of the Company, the Directors have been empowered to allot and issue Ordinary Shares for cash on a non pre-emptive basis representing approximately 50 per cent. of the Enlarged Share Capital. Any additional share issue may have a dilutive effect on Shareholders, particularly if they are unable or choose not to subscribe by taking advantage of rights of pre-emption that may be available.

Further, the Companies Law requires Israeli public companies to have at least two independent Outside Directors who shall be appointed for a term of three years (which can be extended for two additional three year terms) and can be removed from office (including by shareholder vote) only under very limited circumstances. See paragraph 14 of Part I of this document for further information.

The Takeover Code does not apply

The Company is incorporated in Israel and, as such, is subject to Israeli law. The Takeover Code does not apply. The Company will be subject to Israeli corporate law which regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving directors, officers or significant shareholders, and regulates other matters that may be relevant to these types of transactions. Further information is contained in paragraph 17 of Part V of this document.

RISKS RELATING TO THE ADMISSION

Risk of investing in shares traded on AIM

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Shares will depend on there being a willing buyer for them at an acceptable price. Investors may therefore realise less than, or lose all of, their investment.

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

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

The Placing may not result in an active or liquid trading market for the Ordinary Shares, and their price may be highly volatile

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

Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile, and it may be difficult to complete a buy or sell order for such Ordinary Shares. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. However, there may only be a limited public free float of the Ordinary Shares in the future. Restrictions imposed by the FCA or any other applicable regulator regarding persons who may act as a "controller" of the Company may also impact the liquidity of the Ordinary Shares. Furthermore, low trading volumes or the low amount of Ordinary Shares publicly held by unrelated parties may result in a delisting of the Ordinary Shares in the future which would materially affect the liquidity of the Ordinary Shares.

In addition, the market price of the Ordinary Shares may decline below the Placing Price.

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

The Company's current Dividend Policy is to distribute not less than 50 per cent. of retained profits in each financial year out as dividends. However, the Directors may elect to revise the Dividend Policy in the future and future dividends will depend on, among other things, the Group's future profit, financial position, regulatory capital requirements, distributable reserves, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time. The Company's ability to pay dividends is also subject to the requirements of Israeli law, which permits the distribution of dividends only out of cumulative retained earnings or out of retained earnings over the prior two years, provided that there is no reasonable concern that the payment of the dividend will prevent the Company from satisfying its existing and foreseeable obligations as they become due. Furthermore, because the Company is a holding company, the Company's ability to pay dividends depends primarily upon receipt of sufficient funds from Plus500UK and Plus500AU and any other subsidiaries of the Company established going forward. Additionally, the payment of dividends by the Company and/or its ability to repatriate such dividends may, in certain instances, be subject to statutory restrictions, and retained earnings criteria, and are contingent upon the earnings and cash flow of those subsidiaries. The inability on the part of Plus500UK and/or Plus500AU to pay dividends would negatively affect the amount of funds available to the Company to pay dividends.

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

Sales, or the possibility of sales, by the Company or its Founders of a substantial number of Ordinary Shares following Placing could have an adverse effect on the trading prices of the Ordinary Shares or could affect the Company's ability to obtain further capital through an offering of equity securities. Subsequent equity offerings may also reduce the percentage ownership of shares by the Company's existing shareholders and of investors in the Placing.

The Company may issue additional shares or other securities convertible or exchangeable into Ordinary Shares. Any such issue could result in an effective dilution for investors purchasing the Ordinary Shares in the Placing and/or adversely affect the market price of the Ordinary Shares.

Transactions in the Company's shares could be subject to the European Financial Transaction Tax

In February 2013, the European Commission released a draft Directive for a European Financial Transaction Tax ("**EU FTT**"). Eleven European Union member states (the "**participating Members States**") have obtained approval from the European Union to implement the Directive into the domestic law of the countries, although the Directive, as currently drafted, could give rise to tax charges to parties in countries outside of the 11 participating Member States.

All European Union member states are currently debating the draft Directive and the final form of the Directive is unclear (although it is likely that it will be different to the current draft Directive).

The draft Directive has a proposed start date of 1 January 2014, although the European Commission has indicated publically that the actual start date may be later. Accordingly, provided Admission occurs prior to 1 January 2014 the EU FTT should not be applicable to the Placing.

However, persons looking to buy, sell or otherwise transact in the shares of the Company after the EU FTT has come into force will need to consider whether the transactions will be subject to EU FTT.

PART IV

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

PLUS500 LTD.

(formerly Investsoft Ltd.)

2012 FINANCIAL STATEMENTS

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REPORT OF THE AUDITORS

The Directors
Plus500 Ltd.
Building 22 Matam
Haifa 31905
Israel

Liberum Capital Limited (the "**Nominated Adviser**")
Ropemaker Place
Level 12, 25 Ropemaker Street
London
EC2Y 9LY
United Kingdom

Dear Sirs

We report on the financial information set out on pages 60 to 83 (the "**IFRS Financial Information Table**"). This IFRS Financial Information Table has been prepared for inclusion in the AIM admission document dated 18 July 2013 (the "Admission Document") of Plus500 Ltd (the "**Company**") on the basis of the accounting policies set out in Note 2 of the IFRS Financial Information Table. This report is required by Schedule Two of the AIM Rules for Companies published by the London Stock Exchange plc and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the IFRS Financial Information Table in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the IFRS Financial Information Table gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the IFRS Financial Information Table. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the IFRS Financial Information Table and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the IFRS Financial Information Table is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the IFRS Financial Information Table gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully,

Tel-Aviv, Israel,
18 July 2013

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December		
		2012	*2011*	*2010*
	Note	*U.S. dollars in thousands*		
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	10a	22,486	17,293	4,315
Short-term bank deposit	10a	1,126	1,104	1,136
Restricted deposit	8	203	128	–
Accounts receivable	10b	894	2,019	2,082
Income tax receivable	7	–	1,724	1,807
		24,709	22,268	9,340
NON-CURRENT ASSETS:				
Restricted deposit	8	–	69	–
Property, plant and equipment	4	240	173	110
Intangible assets	5	41	39	34
Deferred income taxes	7	265	–	–
		546	281	144
Total assets		25,255	22,549	9,484
Liabilities and Shareholders' Equity				
CURRENT LIABILITIES:				
Trade payables – due to clients	10c	6,092	7,579	5,475
Other accounts payable and accruals:	10d			
Service supplies		3,197	3,356	1,129
Other		822	384	492
Dividend Payable		–	–	27
Income tax payable	7	2,443	1,193	–
Liability for Share-based compensation	9	251	–	–
		12,805	12,512	7,123
NON-CURRENT LIABILITIES				
Liability for Share-based compensation	9	503	615	455
EQUITY:				
Ordinary shares		6	6	6
Share premium		287	287	287
Retained earnings		11,654	9,129	1,613
Total equity		11,947	9,422	1,906
Total equity and liabilities		25,255	22,549	9,484

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2012	2011	2010
		U.S. dollars in thousands		
TRADING INCOME		56,127	50,028	24,211
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:				
Selling and marketing	11a	28,930	24,220	14,708
Administrative and general	11b	4,124	2,107	1,309
INCOME FROM OPERATIONS		23,073	23,701	8,194
Financial income		178	23	63
Financial expenses		(178)	(673)	(9)
FINANCING EXPENSES – net		–	(650)	54
INCOME BEFORE TAXES ON INCOME		23,073	23,051	8,248
TAXES ON INCOME	7	5,973	5,893	536
PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD		17,100	17,158	7,712
			In U.S. dollars	
EARNINGS PER SHARE (basic and diluted)	15	7.32	7.34	3.30

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Ordinary shares	*Share premium*	*Retained earnings*	*Total*
		U.S. dollars in thousands		
BALANCE AT 1 JANUARY 2010	6	287	2,696	2,989
Profit and comprehensive income for the year			7,712	7,712
TRANSACTIONS WITH SHAREHOLDERS:				
Dividend (see note 6)			(2,747)	(2,747)
Additional amounts paid to shareholders (see note 12)			(6,048)	(6,048)
BALANCE AT 31 December 2010	6	287	1,613	1,906
Profit and comprehensive income for the year			17,158	17,158
TRANSACTION WITH SHAREHOLDERS				
Dividend (see note 6)			(9,642)	(9,642)
BALANCE AT 31 December 2011	6	287	9,129	9,422
Profit and comprehensive income for the year			17,100	17,100
TRANSACTION WITH SHAREHOLDERS				
Dividend (see note 6)			(14,575)	(14,575)
BALANCE AT 31 December 2012	6	287	11,654	11,947

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash generated from operations (see Appendix A)	23,042	27,744	10,744
Income tax paid – net	(3,355)	(4,752)	(2,233)
Interest received	174	23	4
Net cash provided by operating activities	19,861	23,015	8,515
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(176)	(99)	(30)
Proceeds from sale of property, plant and equipment	8	–	–
Purchase of intangible assets	(10)	(11)	(28)
Restricted deposits		(197)	–
Net cash used in investing activities	(178)	(307)	(58)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend paid	(14,575)	(9,669)	(2,720)
Additional amounts paid to shareholders	–	–	(6,048)
Net cash used in financing activities	(14,575)	(9,669)	(8,768)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,108	13,039	(311)
Balance of cash and cash equivalents at beginning of year	17,293	4,315	4,927
Exchange differences on cash and cash equivalents	85	(61)	(301)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR	22,486	17,293	4,315

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

APPENDICES CONSOLIDATED STATEMENT OF CASH FLOWS

APPENDIX A:

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
Cash generated from operations			
Net income for the period	17,100	17,158	7,712
Adjustments required to reflect the cash flows from operating activities:			
Depreciation and amortization	95	42	28
Loss on disposal of property, plant and equipment	14	–	–
Taxes on income	5,973	5,893	536
Foreign exchange losses on operating activities	(168)	196	250
Gains on revaluation of deposits	(28)	9	(66)
	5,886	6,140	748
Operating changes in working capital:			
Decrease in accounts receivable	1,125	63	26
Increase (decrease) in trade payables due to clients	(1,487)	2,104	2,019
Increase (decrease) in other accounts payable:			
Service supplies	(159)	2,227	534
Other	577	52	(295)
	56	4,446	2,284
Cash flows from operating activities	23,042	27,744	10,744

APPENDIX B:

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
Supplementary information on investing and financing activities not involving cash flows			
Dividend	–	–	27

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Plus500 Ltd. (hereafter – the company or the parent) was established in 2008 as a private limited company with the name Investsoft Ltd. On 18 June 2012 the company changed its name to Plus500 Ltd. The company has developed a trading platform for private clients. The platform that was developed enables trading only on contracts for differences (hereafter – CFD) on shares, indexes, commodities, foreign exchange and ETF's.

In September 2009 the company established a subsidiary in the UK (hereafter – the subsidiary) in order to obtain a financial conduct authority (hereafter – FCA) license. The company and the subsidiary (hereafter – the group) are engaged in one operating segment – CFD trading – mainly in Europe.

In September 2011 the company established a subsidiary in Australia (hereafter – Plus500AU) in order to obtain an Australian securities and investments commission (hereafter – ASIC) license, which was granted in October 2012.

The AU subsidiary is engaged in the same field of operations – CFD trading – in Australia and will begin operating commencing 2013.

The address of the company's principal offices is Building 22 Matam, Haifa 31905, Israel.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Preparation:

The group's financial information as of 31 December 2012, 2011, and 2010 and for each of the three years in the period ended 31 December 2012, are in compliance with International Financial Reporting Standards that consist of standard and interpretations issued by the International Accounting Standard Board (hereafter – IFRS).

The significant accounting policies described below have been applied consistently in relation to all the reporting periods, unless otherwise stated.

The financial information have been prepared under the historical cost convention, subject to adjustments in respect of revaluation of financial assets at fair value through profit or loss presented at fair value.

b. Principles of consolidation:

A Subsidiary is an entity which the company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The subsidiary is fully consolidated from the date on which control is transferred to the company.

(1) The consolidated financial information include the accounts of the company and its wholly-owned subsidiaries.

(2) Intercompany balances and transactions between the group's entities have been eliminated.

(3) Accounting policies of the subsidiary has been changed where necessary to ensure consistency with the policies adopted by the group.

c. Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

As stated in note 1 above, the group operates in one operating segment.

d. Foreign currency translation:

(1) *Functional and Presentation Currency*

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

(2) *Transactions and balances*

Foreign currency transactions in currencies different from the functional currency (hereafter – foreign currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Gains and losses arising from changes in exchange rates are presented in the statement of comprehensive income among "financial income (expenses)".

(3) *Information regarding exchange rates of one U.S. dollar, based on data published by the Bank of Israel:*

	NIS	*Pound Sterling*	*Euro*
Exchange rate as of 31 December:			
2012	3.733	0.6184	0.7586
2011	3.821	0.6485	0.7738
2010	3.549	0.6461	0.7491
	%	*%*	*%*
Increase (decrease) of the dollar: during the year:			
2012	(2.3)	(4.6)	(2.0)
2011	7.7	0.4	3.3
2010	(6.0)	4.6	8.0

	NIS	*Pound Sterling*	*Euro*
Average exchange rate during the year:			
2012	3.719	0.6086	0.7509
2011	3.578	0.6238	0.7188
2010	3.733	0.6468	0.7537
	%	*%*	*%*
Increase (decrease) during the year:			
2012	3.9	(2.5)	4.5
2011	(4.2)	(3.6)	(4.6)
2010	(5.1)	1.0	4.8

e. Property, plant and equipment:

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

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

Depreciation and impairment of property, plant and equipment are recognized in the income statement.

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

	Percentage of annual depreciation
Computers and office equipment	10-33
Leasehold improvements	20

Leasehold improvements are amortized by the straight-line method over the terms of the lease (five years) which is shorter than the asset's useful life.

The asset's residual values, the depreciation method and useful lives are reviewed, and adjusted if appropriate, at least once a year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2g).

f. Intangible Assets – computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software licenses. These costs are amortized over their estimated useful lives (3-5 years) using the straight line method.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Costs that are directly associated with the development of identifiable and unique software products controlled by the group are recognized as intangible assets when all the criteria in IAS 38 are met.

g. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized 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 that were subject to impairment are reviewed for possible reversal of the impairment recognized in respect thereof at each statement of financial position date.

h. Financial assets:

(1) *Classification*

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

(a) *Financial instruments at fair value through profit or loss*

This category includes 2 sub-categories: financial assets and financial liabilities held for trading and financial assets designated as at fair value through profit or loss. Financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if designated by management in this category. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The group's financial instruments at fair value through profit or loss comprise 'Financial derivative open positions' (offset from 'Deposits from clients' within 'Trade payables due from clients', see note 2l) in the statements of 'Financial position.'

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

The group's loans and receivables comprise 'Cash and cash equivalents', 'Short-term bank deposit', 'Restricted deposit', 'Accounts receivable' and 'Long-term deposit' in the statements of financial position.

(2) *Recognition and measurement*

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

Gains or losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are presented in the statements of comprehensive income within 'Trading income in the period in which they arise.

A financial instrument is derecognized when the contract that gives rise to it is settled, sold, cancelled or expires.

(3) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously (see also l below).

(4) *Impairment of financial assets*

Financial assets carried at amortized cost.

The group assesses at the each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Where objective evidence for impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount of the financial assets and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed for the asset upon initial recognition). The asset's carrying amount is reduced and the amount of the loss is recognized in profit or loss.

i. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits and other highly liquid short-term investments, the original maturity of which does not exceed three months.

The subsidiary holds money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority (FCA). Such monies are classified as 'segregated client funds' in accordance with the FCA regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

Israeli law does not require holding client money in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Group's ability to control the monies and accordingly such amounts are not held on the Group's Statement of Financial Position.

The amount of segregated client funds held at year-end is disclosed in note 10.a to the financial information.

j. Share Capital

Ordinary shares of the Company are classified as equity.

k. Accounts payable

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

Other accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

l. Trade payables – due to clients

As part of its business, the group receives from its customers, deposits to secure their trading positions.

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

Trade payables due to clients represent balances with counterparties and clients where the combination of cash held on account (customer deposits) and the valuation of financial derivative open positions result in an amount payable by the group.

Trade payables due to clients are classified as current liabilities as the demand is due within one year or less.

m. Share-based compensation

The group operates a share-based compensation plan, under which the group receives services from Subsidiary's CEO as consideration for subsidiary shares. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense in profit or loss. The total amount to be expensed is determined by reference to the fair value of the shares granted.

For cash-settled share-based payment transactions, the group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the group re-measures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

For share-based payment transactions in which the terms of the arrangement provide either the group or the counterparty with the choice of whether the Group settles the transaction in cash or by the subsidiary's shares, the group accounts for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the group has incurred a liability to settle in cash or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

n. Employee benefits

Pension Obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered pension funds.

The group has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

o. Revenue recognition

Revenue is recognized when it is probable that economic benefits associated with the transaction will flow to the group and the revenue can be reliably measured.

Trading income represents gains and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client positions are carried at fair market value and gains and losses arising on this valuation are recognized in revenue as well as gains and losses realized on positions that have closed.

Trading income is reported gross of commissions to agents as the group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers.

The said commissions are disclosed as an expense within ‘selling and marketing’ expenses.

p. Dividends

Dividend distribution to the company’s owners is recognized as a liability in the group’s statement of financial position on the date on which the dividends are approved by the group’s Board of Directors.

q. Current income tax

Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity, respectively.

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

r. Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

The group recognizes deferred taxes on temporary differences arising on investments in subsidiary, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

s. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

t. New International Financial Reporting Standards, Amendments to Standards and New interpretations

1. New and amended standards adopted by the Group for reporting periods starting 1 January 2012:

   There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that have a material impact on the Group.

2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group:

   (a) IFRS 9 – "Financial Instruments" (hereafter – IFRS 9).

   The first part of IFRS 9, dealing with the classification and measurement of financial assets, was issued in November 2009; it sets new requirements for classification and measurement of financial assets. The second part of IFRS 9, which includes guidelines on financial liabilities and on derecognition of financial instruments, was published in October 2010. IFRS 9 replaces certain parts of IAS 39 – "Financial Instruments: Recognition and Measurement" (hereafter – IAS 39), relating to classification and measurement of financial instruments.

   IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. As to amounts to be recognized as above in other comprehensive income, these amounts shall not be recycled to income or loss. Nevertheless, it is allowed to transfer accumulated income or losses between equity items.

   IFRS 9 and IFRS 7 – "Financial Instruments: Disclosures" were amended in December 2011 (hereafter – the Amendment) to the effect that the effective application date of IFRS 9 and its transitional provisions was changed and additional disclosure requirements were added in respect of the transition (hereafter – the additional disclosures).

   Both parts of IFRS 9 will apply to annual periods commencing on 1 January 2015 or thereafter. Entities can elect to early adopt IFRS 9, but it is not permitted to adopt early the second part of IFRS 9 without implementing the first part of IFRS 9 on the same date. On the other hand, it is possible to early adopt the first part of IFRS 9 without being required to implement the second part of IFRS 9 on the same date. Entities that will adopt IFRS 9 for reporting periods commencing 1 January 2013 or thereafter – shall not be required to modify their comparative figures but be required to provide the additional disclosures.

   The group is studying the expected effect on IFRS 9 on its financial statements.

(b) IFRS 13 – "Fair Value Measurement"

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity of fair value measurement by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IFRS 13 is to be applied to annual reporting period commencing on 1 January 2013 or thereafter. Early adoption is permitted, provided that the fact that the standard is early adopted is disclosed. IFRS 13 is applied prospectively commencing the beginning of the annual reporting period in which it is applied for the first time. It is not required to apply the disclosure requirements set in IFRS 13 to comparative figures relating to periods prior to first time application of the standard. The first time application is not expected to have a material effect on the group's financial statements.

(c) Amendment to IFRS 7 – "Disclosures – Offsetting of Financial Assets and Financial Liabilities" (hereafter – Amendment to IFRS 7)

The Amendment to IFRS 7 adds disclosure requirements that focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to certain offsetting arrangements (irrespective of whether they are offset in the statement of the financial position).

The Amendment to IAS 32 will be applied retrospectively for annual reporting periods commencing on 1 January 2014 or thereafter; early adoption is permitted.

The Amendment to IFRS 7 will be applied retrospectively for annual reporting periods commencing on 1 January 2013 or thereafter and for interim reporting period within the said annual reporting periods.

The amendment should not be expected to have a material effect on the group's financial statements.

NOTE 3 – FINANCIAL RISK MANAGEMENT

The group specializes in the field of Contracts for Difference (''CFD") for retail clients only, primarily on Commodities, Indexes, Stocks, ETFs and Foreign Exchange.

The group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The group overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group financial performance.

a. Market risk

The management of the group deems this risk as the highest risk the group incurs.

Market risk is the risk that changes in market prices will affect the group income or the value of its holdings of financial instruments. This risk can be divided into market price risk and foreign currency risk, as described below.

The group market risk is managed on a group-wide basis and exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. The group utilizes market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. As a result, not all net client exposures are hedged and the group may have a substantial net position in any of the financial market in which it offers products.

The group's market risk policy incorporates a methodology for setting market position limits, consistent with the group risk appetite, for each financial instrument in which the group clients can trade, as well as certain markets which the CEO considers to be correlated. These limits are determined based on the group clients'

trading levels, volatilities and the market liquidity of the underlying financial product or asset class and represent the maximum long and short client exposure that the group will hold without hedging the net client exposure.

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

There is a significant level of 'natural' hedging arising from the group's global client base pursuing varying trading strategies which results in a significant 'portfolio hedging effect'. This reduces the group's net market exposure.

Where the group has positions in markets for which it would not be possible or cost-effective to hedge, the group would determine the appropriate actions and reviews these exposures regularly.

During all reporting periods through 31 December 2012, the Company has not entered into hedging transactions with third parties and its only open positions are with its clients

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

1. *Market price risk:*

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

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

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

   Daily profit on closed positions:

	2012	*2011*	*2010*
	U.S. dollars in thousands		
Highest profit	1,035	1,689	581
Highest loss	(173)	(314)	(88)
Average	150	127	66

   During the years 2012, 2011 and 2010, as to the closed positions, there were 278, 238 and 257 profitable trading days respectively.

   The company is of the opinion that the said data reflect the daily exposure of the company to market risk and the number of days during which it is exposed to daily risks.

2. *Foreign currency risk:*

   Transactional foreign currency exposures represent financial assets or liabilities denominated in currencies other than the functional currency of the transacting entity. Transaction exposures arise in the normal course of business.

   Foreign currency risk is managed on a group-wide basis, while the group exposure to foreign currency risk is not considered by the board to be significant. The group monitors transactional foreign currency risks including currency statement of financial position exposures, equity, commodity, interest and other positions denominated in foreign currencies and trades on foreign currencies.

At 31 December 2012 ,if the U.S. dollar had strengthened by 1 per cent. against Pound sterling with all other variables unchanged the exposure in respect of balances denominated in Pound sterling on income after taxes is $238 thousand. (2011: $142 thousand, 2010: $10 thousand)

b. Credit risk

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

The group's clients cannot owe the group funds when losing more than they have in their accounts.

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

The group's products are margin-traded. If the market moves adversely by more than the client's maintenance margin, the group is exposed to client credit risk.

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

The carrying amount of the group's financial assets best represents their maximum exposure to credit risk.

The group has no financial assets that are past due or impaired as the reporting dates.

For the years 2012, 2011 and 2010 Counterparties holding about 89 per cent., 86 per cent. and 66 per cent. (respectively) of company cash and cash equivalents, credit cards and deposits are Barclays, Leumi, First international bank of israel and Credit Suisse. The credit ratings as of 31 December 2012 are as follow:

Financial institution	*Rating*
Barclays	A+
Credit Suisse	A+
Leumi	BBB
First International Bank Of Israel	BB

As for the remaining counterparties which for the years 2012, 2011 and 2010 holds about 11 per cent., 14 per cent. and 34 per cent. (respectively) are located worldwide and consider leading institution in each country.

The Group's largest credit exposure to any single bank as of 31 December 2012 was $13,898,000 or 57 per cent. of the exposure to all banks (2011: $11,506,000 or 56 per cent., 2010: $2,551,000 or 34 per cent.).

c. Concentration risk

Concentration risk is defined as all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of the Group. In respect of financial risk, such exposures may be caused by credit risk, market risk, liquidity risk or a combination or interaction of those risks.

Trading income from external customers in 2012 in the United Kingdom 10 per cent. (2011: 6 per cent., 2010: 1 per cent.).

As of May 2013 derivative open positions in United Kingdom is 8.3 per cent. from the total derivative open positions.

d. Liquidity risk

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

Liquidity risk is managed centrally and on a group-wide basis. The group's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

The group does not have any material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as a result of the group adopting what it considers to be best industry practice in placing all retail client funds in segregated client money accounts. A result of this policy is that short-term liquidity 'gaps' can potentially arise in periods of very high client activity or significant increases in global financial market levels.

The contractual maturity of the financial liabilities is up to two month, except for the share-based payment (see note 9).

e. Capital Management

The company manages as capital only its shareholders' equity.

The subsidiary is regulated by the UK's Financial Conduct Authority ("FCA"). The subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter – Pillar 1) and its own assessment of capital required to support all material risks throughout the business (hereafter – Pillar 2). The subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the FCA. Under this process the subsidiary is satisfied that there is either sufficient capital to absorb potential losses or that there are mitigating controls in place which make the likelihood of the risk of losses occurring remote.

Both Pillar 1 and the Pillar 2 assessment are compared with total available regulatory capital on a daily basis and monitored by the management of the company. As of 31 December 2012, 2011 and 2010, the UK regulated entity had £ 2,410,000, £ 1,478,000 and £ 953,000, respectively, of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

f. Fair value estimation

Financial derivative open positions (offset from deposits from clients within "Trade payable due from clients") (see also note 10d) is measured at fair value through profit or loss using valuation techniques. The said valuation techniques are based on inputs other than quoted prices in active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to determine the fair value the said instruments are observable, the said instruments are included in level 2.

Specific valuation techniques used to value financial instruments include the usage of quoted market prices or dealer quotes for similar instruments.

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT:

a. Composition of assets, grouped by major classifications and changes therein in 2012 is as follows:

	Cost				Accumulated depreciation				Depreciated balance As of 31 December	
	Balance at beginning of the year	Additions during the year	Disposals during the year	Balance at end of the year	Balance at beginning of the year	Additions during the year	Disposals during the year	Balance at end of the year	2012	2011
	U.S. dollars in thousands				U.S. dollars in thousands				U.S. dollars in thousands	
Computers and office equipment	195	110	25	280	64	49	3	110	170	131
Leasehold improvements	50	66	–	116	8	38	–	46	70	42
	245	176	25	396	72	87	3	156	240	173

b. Composition of assets, grouped by major classifications and changes therein in 2011 is as follows:

	Cost			Accumulated depreciation			Depreciated balance As of 31 December	
	Balance at beginning of the year	Additions during the year	Balance at end of the year	Balance at beginning of the year	Additions during the year	Balance at end of the year	2011	2010
	U.S. dollars in thousands			U.S. dollars in thousands			U.S. dollars in thousands	
Computers and office equipment	110	85	195	33	31	64	131	77
Leasehold improvements	36	14	50	3	5	8	42	33
	146	99	245	36	36	72	173	110

c. Composition of assets, grouped by major classifications and changes therein in 2010 is as follows:

	Cost			Accumulated depreciation			Depreciated balance As of 31 December
	Balance at beginning of the year	Additions during the year	Balance at end of the year	Balance at beginning of the year	Additions during the year	Balance at end of the year	2010
	U.S. dollars in thousands			U.S. dollars in thousands			U.S. dollars in thousands
Computers and office equipment	82	28	110	12	21	33	77
Leasehold improvements	34	2	36	–	3	3	33
	116	30	146	12	24	36	110

NOTE 5 – INTANGIBLE ASSETS:

	Cost	Accumulated amortization	Cost	Accumulated amortization	Cost	Accumulated Amortization
	As of 31 December 2012 U.S. $ in thousands		As of 31 December 2011 U.S. $ in thousands		As of 31 December 2010 U.S. $ in thousands	
Software	59	18	49	10	38	4

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

NOTE 6 – SHARE CAPITAL:

a. Composed as follows as of 31 December 2012, 2011 and 2010:

	Number of shares	
	Authorized	Issued and paid
Ordinary shares of NIS 0.01 par value	10,000,000	2,337,014

Set forth below are the amounts of dividends and the amounts of dividends per share for the years 2010, 2011 and 2012:

	Date of declaration	
	Amount of dividend in thousands of $	Amount of dividend in thousands of NIS
10 November 2010	2,747	10,000
3 March 2011	1,246	4,500
12 July 2011	4,329	15,000
11 October 2011	4,067	15,000
17 April 2012	6,660	25,000
16 August 2012	7,915	32,000

The dividend paid in 2012, 2011 and 2010 amounted to $14,575 thousands ($6.24 per share), $9,669 thousands ($4.13 per share) and $2,720 thousands ($1.18 per share), respectively.

b. Dividend and Retained Earnings

(1) In its meeting on 18 March 2013, the Company's Board of Directors resolved to distribute a final cash dividend out of retained earnings as of 31 December 2012; the amount of this dividend is $4,874 thousand (NIS 18,000 thousand).

(2) In its meeting on 19 June 2013, the Company's Board of Directors resolved to distribute a final cash dividend; the amount of this dividend is $3,894 thousand (NIS 14,000 thousand).

NOTE 7 – TAXES ON INCOME:

a. Corporate taxation in Israel

The income of the Company is taxed at the regular rate; under the provisions of the Law for Amendment of the Income Tax Ordinance, 2005, of August 2005, the corporate tax rates is to be gradually reduced. As a result of this amendment the corporate tax rates applicable for tax year 2009 and thereafter are as follows: 2009 – 26 per cent. and for 2010 and thereafter – 25 per cent.

On 14 July 2009 the Economic Rationalization Law (Legislation Amendments for the Implementation of the Economic Plan for the years 2009 and 2010), 2009 (hereafter – Amendment 2009), was passed in the Knesset; this law determined, inter alia a further gradual reduction of the corporate tax rate as from 2011, as follows: 2011 – 24 per cent., 2012 – 23 per cent., 2013 – 22 per cent., 2014 – 21 per cent., 2015 – 20 per cent., 2016 and thereafter – 18 per cent.

The application of the law did not have a material effect on the group's income tax expenses.

On 6 December 2011, the "Tax Burden Distribution Law" Legislation Amendments (2011) was published in the official gazette. Under this law, the previously approved gradual decrease in corporate tax is discontinued. Corporate tax rate is increased to 25 per cent. as from 2012.

The application of this law did not have a material effect on the Group income tax expenses.

Capital gains of the Company are subject to tax at the regular corporate tax rate applicable during the tax year. However capital gains derived prior to 1 January 2003 are taxed at a rate of 26 per cent. in 2009, 25 per cent. in 2010 and 24 per cent. in 2011. Commencing 2012, the tax rate applicable to all capital gains of the Company shall be 25 per cent.

b. Corporate taxation in UK

The subsidiary PLUS500UK Ltd. is assessed for tax under the tax laws in UK. The principal tax rates applicable to the subsidiary incorporated in the UK is 24 per cent. (January – March 2011 – tax rate of 28 per cent., April 2011 through March 2012 tax rate of 26 per cent.; commencing April 2012 – tax rate of 24 per cent.).

c. Deferred tax asset

The company created in its accounts a deferred tax asset for issuance expenses it incurred as a result of its IPO. Those expenses are recognized in the income statement as incurred in 2012, while deducted for tax purposes over 3 years since the date the issuance took place. This is the first year that this item arises, hence the company created for the first time the deferred tax asset.

The Deferred tax asset in total amount of $265 thousands is presented among "non-current assets", and computed at tax rate of 25 per cent.

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

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
Current taxes			
current taxes in respect of current year's profits	6,238	5,893	536
Deferred taxes			
Recognition of deferred taxes asset (see d above)	(265)	–	–
Taxes on income expenses	5,973	5,893	536

e. Reconciliation of the theoretical tax expense

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

	Year ended 31 December		
	2012	2011	2010
	U.S. dollars in thousands		
Income before taxes on income, as reported in the income statements	23,073	23,051	8,248
Theoretical tax expense in respect of this year's income – at 25% (2011 – 24%, 2010 – 25%)	5,768	5,532	2,062
Increase (decrease) in taxes resulting from different tax rates applicable to foreign subsidiary	–	93	9
Decrease in taxes arising from permanent differences	–	–	(1,590)
Increase in taxes arising from permanent differences – other permanent differences	205	268	55
Taxes on income for the reported period	5,973	5,893	536

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

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

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

In accordance with the law for the amendment of the Income Tax Ordinance (No. 174 – Temporary Order as to Tax Years 2007, 2008 and 2009), which was published in the official gazette on 4 February 2010 and the Law for the Amendment of the Income Tax Ordinance (No. 188), 2012, which was published in the official gazette on 12 January 2012 (hereinafter together – the temporary provision), the provisions of Israel Accounting Standard No. 29 of the Israel Accounting Standards Board do not apply in determining taxable income for tax years 2007 to 2011, even if applicable in financial statements for those tax years. The meaning of the temporary provision is that IFRS do not apply in practice when calculating the reported income for tax purposes in the specified tax years.

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

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 and 2011 may be extended to cover 2012 as well. Due to the application of temporary provision on the 2007-2011 tax years, as above, and the possibility for extension to 2012, management expects at this stage that the new legislation will not apply to tax year preceding 2013.

Considering that the temporary provision applies to the 2007-2011 tax years and company assessment on the likelihood for extension to cover 2012, as above, the Company computed its taxable income for 2009-2012 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

g. Final tax assessments have been received by the Company through the year ended 31 December 2011. The subsidiary, Plus500UK Ltd, has not been assessed for tax purposes since its incorporation.

NOTE 8 – RESTRICTED DEPOSIT

A bank deposit amounting GBP 81,828 (USD 132,322) serving as a security for a guarantee that was provided by the bank in favour of a third party and was renewed on 18 June 2012. The guarantee validity is recorded as 1 July 2013.

On 11 August 2011 the company signed an addition to a lease contract with a third party (signed on 1 September 2009), for the lease of 650 square meter offices in Haifa, Israel.

According to contract, the lease is for 60 months and the Company has an option to shorten the lease period to 36 months with a payment of NIS 200,000 plus VAT. The rental payments are linked to the Israeli CPI. The long term deposit serves as a security for bank guarantee provided in favour of the said third party in the amount of US $ 70,681 (NIS 263,853) until 2013, see note 14.

NOTE 9 – SHARE-BASED COMPENSATION

Option plan for the CEO of the subsidiary

On 24 December, 2009, the company entered into an agreement with the CEO of the UK subsidiary (hereinafter – the CEO) giving him 2.5 per cent. of the shares of the subsidiary for his continued service in the company (until July 2013). The shares granted to the CEO are entitled to dividends and any other benefit given to other shares of the subsidiary. The shares are subject to a clause allowing the company to buy back these shares for a nominal amount (right of repurchase). This right expires in 4 installments which are determined based on 4 years of service of the CEO at the subsidiary from the date of obtaining a trading license from UK regulators.

The agreement states that the company has a first right of refusal in case the CEO decided to sell shares that were released from the right of repurchase to a third party.

In addition to the right of repurchase the agreement grants the company a call option to purchase at any time the entire shares granted to the CEO for a total of NIS 3,000 thousands ($ 804 thousands). Furthermore, the CEO was granted a put option whereby until the end of three years from the date in which all of the rights of repurchase expire (commencing June 2013), he may sell to the company half of the shares for NIS 1,000 thousands ($ 268 thousands).

On 17 February 2013, the Company's sole director resolved to exercise in full the Company's call option over the shares held by the CEO for NIS 3 million, subject to Admission. The 17 February 2013 resolution provides that a formal call option notice will be sent to the CEO within 60 days of Admission.

The group implemented IFRS 2 "Share-Based Payments" (see note 2) to this transaction. Due to the said put and call options in combination with the said right of first refusal, the said share-based transaction was treated as a share-based payment transaction in which the terms of the arrangement provide either the group or the counterparty with the choice of whether the group settles the transaction in cash or by the subsidiary's shares.

Accordingly, and due to the stated policy of the group to eventually exercise its option to settle the said transaction in cash, the group accounts for the said transaction as a cash-settled share-based payment transaction.

As of 31 December 2012 and 2011 the group recognized a liability at fair value of $754 thousand and $615 thousands respectively.

The discount rate used for measuring the liability is 5 per cent.

The liability reflects the Company's best estimate of future cash payments based on the call option formula, meaning, the expected redemption amount discounted at 5 per cent.

The intrinsic value of the vested liability is $597 thousand.

In the year 2012, 2011 and 2010, the company recognized expenses of $139 thousand, $160 thousands and $343 thousand, respectively within general and administrative expenses with respect of the said transaction.

NOTE 10 – SUPPLEMENTARY BALANCE SHEET INFORMATION:

a. Cash, cash equivalents and short term bank deposit:

1. *Cash and cash equivalents*

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
NIS	581	584	132
Dollar	811	1,086	746
Euro	2,817	2,457	2,636
GBP	35,905	20,112	1,577
Other	2,177	1,266	381
Gross cash and cash equivalents	42,291	25,505	5,472
Less: Segregated client funds	(19,805)	(8,212)	(1,157)
Own cash and cash equivalents	22,486	17,293	4,315

2. The Company has a short term bank deposit in Euro, yielding interest at 0.3 per cent. per year.

b. Accounts receivable

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
Prepaid expenses	47	48	38
Credit cards	812	1,965	1,986
Other	35	6	58
	894	2,019	2,082

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

c. Trade payables – due to clients:

	Year ended 31 December		
	2012	*2011*	*2010*
	U.S. dollars in thousands		
Amounts due to clients	13,470	12,291	6,560
Less – financial derivative open Positions	(7,378)	(4,712)	(1,085)
	6,092	7,579	5,475

Other amounts due to clients that will be transferred from the group's own cash to segregate client funds on the immediately following working day in accordance with the United Kingdom Financial Conduct Authority (FCA) rules are 620 $ thousands as of 31 December 2012 .

d. Other accounts payable and accruals:

		Year ended 31 December		
		2012	2011	2010
		U.S. dollars in thousands		
(1)	Service suppliers:			
	Open accounts	3,142	3,266	1,082
	Cheques and notes payable	55	90	47
		3,197	3,356	1,129
(2)	Other:			
	Payroll and related expenses	166	126	143
	Accrued expenses	656	258	259
	Other	–	–	90
		822	384	492

The financial liabilities included among accounts payable, accruals and deposits from clients are for relatively short periods; therefore, their fair value is not materially different than their carrying amounts.

NOTE 11 – SUPPLEMENTARY INCOME STATEMENT INFORMATION:

		Year ended 31 December		
		2012	2011	2010
		U.S. dollars in thousands		
a.	**Selling and marketing expenses:**			
	Payroll and related expenses	1,316	775	345
	Consultation fees to shareholders (see note 12)	778	838	881
	Commission to agents	2,040	1,750	2,143
	Advertising	21,230	18,061	9,786
	Commissions to processing companies	2,406	1,797	1,028
	Sundry	1,160	999	525
		28,930	24,220	14,708
b.	**General and administrative expenses:**			
	Payroll and related expenses	585	462	271
	Professional fees and regulatory fees	1,428	733	287
	Consultation fees to shareholders (see note 12)	156	164	244
	Share-based compensation	139	160	343
	Issuance expenses (see note 7d)	1,060		
	Sundry	756	588	164
		4,124	2,107	1,309

NOTE 12 – RELATED PARTIES

"A related party" – As this term is being defined in IAS 24 – "Related Party Disclosure" (hereafter – IAS 24R).

The key management personnel of the company are six company shareholders.

In the period June 2009 to June 2010, the company's shareholders rendered services to the company through companies they own. In consideration for the services at that time, each of the service providers received a total of NIS 50,000 per month (except for the CEO, who received NIS 100,000 per month). Commencing July 2010, all service providers who are company shareholders received NIS 50,000 per month. The said fees were classified and presented as consultation fees to shareholders (see note 11). As of 31 December 2012, 2011 and 2010, the balance of company's liability in respect of these services amounts to NIS 300 thousands; the said liability is recorded among "other payables".

In addition, the shareholders also received additional payments in accordance with the rates of their shareholding in the company. The economic substance of the said additional payments is a distribution of dividends and therefore the said additional payments were classified as dividends and were charged directly to equity.

As to the payments of the said additional payments classified as dividends as well as dividends payments during the reported periods, see consolidated statements of shareholders' equity.

NOTE 13 – Enterprise wide disclosures

The group is domiciled in Israel. Trading income from external customers in Israel is not material. Trading income from external customers in 2012 in the United Kingdom is 10 per cent. (2011: 6 per cent., 2010: 1 per cent.)

Trading income was attributed to geographical areas according to the location of the customer.

NOTE 14 – COMMITMENTS

In August 2011 the Company has entered into an amendment to the lease agreements for its headquarters facility in Haifa that was signed in September 2009, (see note 8).

The expected rental payments for the next years are as follows:

	U.S. dollars in thousands
First year	130
Second year	130
Third year	130
Total	390

NOTE 15- EARNINGS PER SHARE (basic and diluted)

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December		
	2012	*2011*	*2010*
	In U.S. dollars		
Profit attributable to equity Holders of the company	17,100,000	17,158,000	7,712,000
Weighted average number of ordinary shares in issue	2,337,014	2,337,014	2,337,014

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Directors, whose names appear on page 3 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules.

2. THE COMPANY

2.1 The Company was incorporated and registered in the State of Israel with registered number 514142140 on 26 May 2008 as a private limited liability company under the name Investsoft Ltd. On 18 June 2012, the Company changed its name to Plus500 Ltd. The Company's telephone number is: +972-4-8241120.

2.2 The principal legislation under which the Company operates is the Companies Law and regulations made under the Companies Law. The liability of the Shareholders is limited.

3. SUBSIDIARIES

The Company is the holding company of the Group. The following table contains details of the Company's subsidiaries:

Company name	*Principal activity*	*Country of incorporation*	*Percentage ownership*	*Proportion of voting power*
Plus500UK Limited	Provider of online platform for trading of CFDs	England and Wales	97.5*	100
Plus500AU Pty Limited	Provider of online platform for trading of CFDs	Victoria, Australia	100	100
MeVideoCy Ltd**	Dormant	Cyprus	100**	100

* Dror Sordo, the chief executive officer of Plus500UK, owns 2.5 per cent. of the issued share capital of Plus500UK and such shares are the subject of put and call options. Further information is contained in paragraph 15.10 of this Part V.

** This subsidiary is currently dormant and an application for strike-off has been submitted to the register of companies in Cyprus.

4. SHARE CAPITAL

4.1 Pursuant to the Articles, the authorised share capital of the Company is NIS3,000,000 divided into 300,000,000 Ordinary Shares. Pursuant to the Companies Law, the authorised share capital reflects the maximum number of shares which can be issued by the Company unless and until the Shareholders amend the Articles to increase the authorised share capital. Set out below are details of the issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following the Placing and Admission:

	As at the date of this document		*Immediately following the Placing and Admission*	
	Number	*Aggregate nominal value (NIS)*	*Number*	*Aggregate nominal value (NIS)*
Issued Ordinary Shares	100,491,602	1,004,916.02	114,888,377	1,148,883.77

4.2 On incorporation, the issued share capital of the Company consisted of NIS3,287.02 divided into 328,702 Ordinary Shares.

4.3 The following changes to the issued share capital of the Company have taken place since incorporation:

4.3.1 on 28 May 2008, 1,386,106 Ordinary Shares were issued pursuant to a placing at NIS0.01 per Ordinary Share;

4.3.2 on 26 August 2008, 600,004 Ordinary Shares were issued at US$0.46666 per Ordinary Share;

4.3.3 on 8 December 2010, 22,202 Ordinary Shares were issued following exercise of an option granted by the Company to Naschitz, Brandes & Co; and

4.3.4 on 23 June 2013, 98,154,588 Ordinary Shares were issued pursuant to the declaration and distribution of a share dividend of 42 new Ordinary Shares for each Ordinary Share in issue as at 23 June 2013.

4.4 The following is a reconciliation of the number of issued Ordinary Shares at the beginning and end of the financial year of the Company ended 31 December 2012:

Date	*Description*	*Issued Ordinary Shares*
1 January 2012	Balance at start of year	2,337,014
31 December 2012	Balance at end of year	2,337,014

4.5 The New Ordinary Shares will be issued in accordance with the resolution of the Company passed on 23 June 2013.

4.6 The provisions of article 10(b) of the Articles confer on Shareholders rights of pre-emption in respect of the allotment or issue of securities which are, or are to be, paid up in cash. In accordance with the resolution of the Company passed on 3 July 2013, the Directors are empowered pursuant to article 10(c) of the Articles to allot and issue up to 57,444,188 Ordinary Shares (representing approximately 50 per cent. of the Enlarged Share Capital) for cash as if article 10(b) of the Articles did not apply to such allotment and issue, provided that this power shall expire on the earlier of the date which is 18 months after the date of the resolution and the conclusion of the Company's next annual general meeting (save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be issued after such expiry and the directors may issue Ordinary Shares in pursuance of such an offer or agreement as if the power had not expired).

4.7 By a resolution of the Board passed on 17 July 2013 it was resolved conditionally upon (but effective immediately prior to) Admission, to allot the New Ordinary Shares for cash at the Placing Price.

4.8 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form.

4.9 It is anticipated that, where appropriate, share certificates will be despatched by first class post by 7 August 2013. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.

4.10 The International Security Identification Number ("ISIN") of the Ordinary Shares is IL0011284465 and the Stock Exchange Daily Official List ("SEDOL") number is BBT3PS9.

4.11 The legislation under which the New Ordinary Shares will be issued is the Companies Law and regulations made under the Companies Law.

4.12 The Ordinary Shares are denominated in NIS.

4.13 Following the Placing and Admission (assuming all the New Ordinary Shares are allotted pursuant to the Placing), the Existing Ordinary Shares will represent 87.5 per cent. of the Enlarged Share Capital.

4.14 Save as disclosed in this paragraph 4 and paragraph 15.10, as at the date of this document:

4.14.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of the Group;

4.14.2 no shares have been issued otherwise than as fully paid;

4.14.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;

4.14.4 the Company has given no undertaking to increase its share capital; and

4.14.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. ARTICLES OF ASSOCIATION AND COMPANIES LAW

The Articles and Companies Law include provisions to the following effect:

5.1 ***Objects***

Section 18 of the Companies Law provides that the objects of a company are to be set forth in the articles of association. The Articles provide that the Company's objectives are to carry on any business and perform any act which is not prohibited by law.

5.2 ***Voting rights***

5.2.1 Subject to any rights or restrictions attached to any shares, on a show of hands:

5.2.1.1 every shareholder who is present in person has one vote;

5.2.1.2 every proxy present who has been duly appointed by one or more shareholders entitled to vote on the resolution(s) has one vote; and

5.2.1.3 a proxy has one vote for and one vote against the resolution(s) if he has been duly appointed by more than one shareholder entitled to vote on the resolution and either (i) is instructed by one or more of those shareholders to vote for the resolution and by one or more others to vote against it; or (ii) is instructed by one or more of those shareholders to vote in one way and is given a discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way).

5.2.2 Subject to any rights or restrictions attached to any shares, on a poll every shareholder who is entitled to vote on the resolution and who is present in person or by proxy shall have one vote for every share of which he is the holder.

5.2.3 Where there are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders. Seniority is determined by the order in which the names of the holders stand in the register.

5.2.4 A shareholder shall not be entitled to vote unless all calls or other sums payable by him in respect of his shares in the Company have been paid.

5.3 ***Dividends***

5.3.1 Subject to the Companies Law and the Articles, the Board may with an ordinary majority vote of the Board, declare and cause the Company to pay such dividend as may appear to the Board to be justified by the profits of the Company. Pursuant to the Companies Law, the payment of dividends may be made only out of (i) the Company's accumulated retained earnings or (ii) the Company's earnings accrued over the two most recent years, as evidenced by the Company's audited or reviewed financial statements, whichever is greater (the "**Profits Test**"), and in either case provided that there is no reasonable concern that the dividend will prevent the Company from satisfying its current or foreseeable obligations as they become due (the "**Solvency Test**"). If the Company does not comply with the Profits Test, it can only distribute a dividend with prior Israeli court approval, and provided the court is satisfied that the Company is in compliance with the Solvency Test.

5.3.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares held at the date so appointed by the Company.

5.3.3 Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

5.3.4 All dividends unclaimed may be invested or otherwise made use of by the Board for the benefit of the Company until claimed.

5.3.5 Upon the determination of the Board, the Company may cause:

5.3.5.1 any monies, investments or other assets forming part of, *inter alia*, the undivided profits of the Company to be capitalised and distributed to shareholders, or to be applied in paying up unissued shares on behalf of such shareholders which shall then be distributed accordingly; and

5.3.5.2 such distribution or payment to be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum.

5.3.6 There are no fixed or specified dates on which entitlements to dividends payable by the Company arise.

5.4 ***Pre emption rights***

Subject to the terms of any ordinary resolution of the Company to the contrary, the Company shall not, subject to certain exceptions, allot its Ordinary Shares to any person for cash unless it shall first have made an offer to each shareholder to allot to him on the same or more favourable terms a proportion of those shares which is as nearly as practical equal to the proportion in nominal value of the Ordinary Shares held by him on the record date for any such allotment of the aggregate of all such shares, but subject to such exclusion or other arrangements as the Board may deem necessary or expedient in their exclusive discretion to deal with fractional entitlements or legal or practical problems under the laws or the requirements of any regulatory authority or stock exchange in any jurisdiction.

5.5 ***Distribution of assets on a winding-up***

On a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the shareholders in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders in proportion to their respective holdings. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of shareholders as he may determine. The liquidator shall not, however (except with the consent of the shareholder concerned) distribute to a shareholder any asset to which there is attached a liability or potential liability for the owner.

5.6 ***Depositary interests***

The directors of the Company are authorised to make such arrangements as they think fit in order to enable shares to be represented by and exchanged for depositary interests which are eligible to be held and transferred in uncertificated form in a computer-based system.

5.7 ***Transfer of shares***

5.7.1 No transfer of shares which are in certificated form shall be registered unless a proper instrument of transfer (in any usual form or in any form approved by the Board) has been submitted to the Company (or its transfer agent), executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee.

5.7.2 The Board may, in its discretion to the extent it deems necessary, close the register for registrations of transfers of shares during any year for a period determined by the Board, and

no registrations of transfers of shares shall be made by the Company during any such period during which the register is so closed.

5.8 ***Variation of class rights***

5.8.1 If at any time the share capital is divided into different classes of shares, the rights attached to any class, unless otherwise provided by the Articles, may be modified or abrogated by a resolution of the shareholders, subject to the consent in writing of the holders of at least a majority of the issued shares of such class or the adoption of a resolution passed at a separate general meeting of the holders of the shares of such class. The quorum at any such meeting (other than an adjourned meeting) is two or more persons holding or representing by proxy not less than a majority of the issued shares of the class in question.

5.9 ***Share capital***

5.9.1 Subject to the Companies Law and to the Articles, the power of the Company to allot and issue shares shall be exercised by the Board at such times and on such terms and conditions as the Board may determine.

5.9.2 Subject to the Articles and to any rights attached to any existing shares any share may be issued with such rights or restrictions as the Company may from time to time determine by ordinary resolution.

5.9.3 Subject to the Companies Law and to the Articles, the Company may issue redeemable shares and the Board may determine the terms, conditions and manner of redemption of such shares, provided it does so before the shares are allotted.

5.10 ***Share control limits***

5.10.1 A person must not, whether by himself or with persons determined by the Board to be acting in concert with him, acquire shares which, taken together with shares held or acquired by persons determined by the Board to be acting in concert with him, carry 25 per cent. or more of the voting rights attributable to the shares of the Company ("**Limit**"), excepted as a result of a "permitted acquisition". An acquisition is a "permitted acquisition" if (i) the acquisition made in compliance with any applicable tender offer rules under the Companies Law as may be in effect at such time and (ii) the acquisition is made in circumstances which the Takeover Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the Takeover Code, as if such Rule applied.

5.10.2 Subject to applicable law, any shares obtained in violation of the prohibition in paragraph 5.10.1 above automatically become Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer. The Board has various rights where it believes the Limit is or may have been broken, including requiring a shareholder to provide such information as the Board considers appropriate.

5.11 ***General meetings***

5.11.1 The Board may convene a general meeting whenever it thinks fit. Pursuant to the Companies Law, shareholders have a statutory right to requisition a general meeting in certain circumstances. The Company must hold an annual general meeting of shareholders each calendar year no later than 15 months from the last annual meeting, at a time and place determined by the Board. A special meeting may be convened at the request of two directors, one quarter of the directors in office, or by written request of one or more shareholders holding at least 5 per cent. of the Company's issued share capital and 1 per cent. of the voting rights or one or more shareholders holding at least 5 per cent. of the voting rights.

5.11.2 Pursuant to the Companies Law, a general meeting shall be called on not less than 21 days' or 35 days' notice (depending on the matters on the agenda for the meeting).

5.11.3 The quorum for a general meeting is two or more shareholders present in person or by proxy and entitled to vote who hold at least 25 per cent. of the voting power of the Company.

5.11.4 The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction which it or he considers appropriate to ensure the security or orderly conduct of the meeting. This may include requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items which may be taken into the meeting place.

5.12 ***Appointment of directors***

5.12.1 The number of directors shall not exceed seven but shall not be less than four.

5.12.2 Subject to the Companies Law and the Articles, the Company may by ordinary resolution appoint any person who is willing to act as a director either as an additional director or to fill a vacancy (other than Outside Directors who are elected in the manner specified in paragraph 14 of Part I of this document). The Board may also appoint any person who is willing to act as a director, subject to the Companies Law and the Articles. Any person appointed by the Board as a director will hold office only until conclusion of the next annual general meeting of the Company, unless he is re-elected during such meeting.

5.12.3 In accordance with the Companies Law, the Board shall have at least two Outside Directors. The Outside Directors must meet certain statutory requirements of independence. The term of office of an Outside Director is three years, which can be extended for two additional three year-terms. An Outside Director can be removed from office (without his consent) only under very limited circumstances. See paragraph 14 of Part I of this document for further information regarding Outside Directors.

5.12.4 Under the Companies Law, a person may not serve as an Outside Director if at the date of the person's election or within the prior two years the person is a relative of a Controlling Shareholder of the Company, or the person or their relatives, partners, employers, supervisors or entities under the person's control, have or have had any affiliation with the Company or with a Controlling Shareholder or relatives of a Controlling Shareholder, and, in the case of a company without a Controlling Shareholder or a shareholder holding at least 25 per cent. of the voting rights, any affiliation, at the time of election, to the chairman of the Board, the chief executive officer, an interested party or the Company's chief finance officer. For these purposes, a "Controlling Shareholder" is a shareholder who has the ability to direct the Company's actions, including any shareholder holding 25 per cent. or more of the voting rights if no other shareholder owns more than 50 per cent. of the voting rights in the Company, and an "interested party" is defined as a holder of 5 per cent. or more of the Company's shares or voting rights, any person or entity that has the right to nominate or appoint at least one of the Company's directors or its chief executive officer, or any person who serves as one of the Company's directors or as its chief executive officer. In addition, a person may not serve as an Outside Director if: (i) at the time of appointment as Outside Director, the person or their relatives, partners, employers, supervisors or entities under the person's control, maintains a business or professional relationship with the Company, even if such relationship is not on a regular basis, other than a negligible business or professional relationship; or (ii) in the case of a person who has served as an Outside Director to the Company in the past, such person received compensation in their capacity as an Outside Director during such period in excess of the amounts permitted by the Companies Law and regulations thereunder.

5.12.5 A person may also not serve as an Outside Director if that person's position or other business activities create, or may create, a conflict of interest with the person's service as a director or may otherwise interfere with the person's ability to serve as a director.

5.12.6 If at the time any Outside Director is to be elected all members of the Board that are not Controlling Shareholders or their respective relatives are of the same gender, then the Outside Director to be elected must be of the other gender.

5.12.7 The Board may appoint any director (other than an Outside Director) to hold any employment or executive office in the Company and may also revoke or terminate any such appointment (without prejudice to any claim for damages for breach of any service contract between the director and the Company).

5.13 ***Remuneration of director***

5.13.1 The total fees paid to each non-executive director for their services shall be determined by the Remuneration Committee, the Board and by the Company by ordinary resolution. With the prior approval of the Remuneration Committee, the Board and the shareholders, the Board may decide to pay additional remuneration to a non-executive director for services which the Board determines are outside the scope of the ordinary duties of a director, whether by way of additional fees, salary, percentage of profits or otherwise.

5.13.2 The salary or remuneration of executive directors shall be determined by the Remuneration Committee, the Board and the Company by ordinary resolution and may be either a fixed sum of money or may in whole or in part be subject to performance conditions or otherwise determined by the Remuneration Committee, the Board and the shareholders.

5.14 ***Retirement and removal of director***

5.14.1 At each annual general meeting of the Company, each director (excluding the Outside Directors) shall retire from office. Each such director may, if eligible, offer himself for re-election. If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing, be deemed to have been reappointed unless it is expressly resolved not to fill the vacancy or a resolution for the reappointment of the director is put to the meeting and lost.

5.14.2 Without prejudice to the provisions of the Companies Law, the Company may by ordinary resolution remove any director (other than an Outside Director) before the expiration of his period of office and may appoint by ordinary resolution another director in his place.

5.15 ***Directors' interests***

5.15.1 The Companies Law provides that any transaction of the Company with a director or any transaction of the Company in which a director has a Personal Interest requires the approval of the Board. The transaction must not be approved if it is adverse to the Company's interest. If the transaction is an extraordinary transaction (as defined below), then Audit Committee approval is required in addition to Board approval. If the transaction concerns exculpation, indemnification, insurance or compensation of the director, then the approvals of the Remuneration Committee, the Board and the shareholders by way of ordinary resolution are required (in that order). The Companies Law defines an "*extraordinary transaction*" as a transaction that is not in the ordinary course of business, that is not on market terms or that is likely to have a material impact on a company's profitability, assets or liabilities.

5.15.2 A director who has a Personal Interest in a matter that is considered at a meeting of the Board, the Audit Committee or the Remuneration Committee may not attend that meeting or vote on that matter, unless a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a Personal Interest in the matter or if such director is invited by the chair of the Board, the Audit Committee or the Remuneration Committee, as applicable, to present the matter being considered. If a majority of the Board, the Audit Committee or the Remuneration Committee, as applicable, has a Personal Interest in the transaction, Shareholder approval, by way of ordinary resolution, is also required.

A "*personal interest*" as defined by the Companies Law, includes a personal interest of any person in an act or transaction of the Company, including a personal interest of his relative or of a corporation in which that person or a relative of that person is a 5 per cent. or greater shareholder, a holder of 5 per cent. or more of the voting rights, a director or general manager, or in which he or she has the right to appoint at least one director or the general manager, and includes shares for which the person has the right to vote pursuant to a power of attorney. A "*personal interest*" does not apply to a personal interest solely arising from holding shares in the Company.

5.16 ***Powers of the director***

5.16.1 The business of the Company shall be managed by the Board.

5.16.2 Subject to the provisions of the Companies Law and save as set out below, the Board may, at its discretion, cause the Company to borrow or secure the payment of any sum of money for the purpose of the Company, and may secure or provide for the repayment of such sum or sums in such manner, at such times and upon such terms and conditions as it deems fit, including by the issuance of bonds, perpetual or redeemable debentures, debenture stock, or any mortgages, charges, or other securities on the undertaking or the whole or any part of the property of the Company, both present and future, including its uncalled or called but unpaid capital for the time being. The Board shall restrict the borrowings of the Company and, insofar as it is able, of its subsidiary undertakings, so as to procure that the aggregate principal amount outstanding in respect of borrowings by the Group (excluding any Group company's borrowings which are owed to another Group company) less cash deposited shall not, without an ordinary resolution of the Company, exceed a sum equal to: (i) three times the aggregate of the amount paid up on the Company's issued share capital and the total amount standing to the credit of the reserves of the Group after adding or deducting any balance standing to the credit or debit of the Group's profit and loss accounts; or (ii) any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

5.16.3 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities, by insurance or otherwise, for any person who is, or has at any time been, employed by or in the service of the Company or of any company which is a subsidiary company of the Company, or is allied to or associated with the Company or any such subsidiary, or any predecessor in business of the Company or any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him.

5.17 ***Directors' and officers' indemnity, insurance and exculpation***

5.17.1 *Indemnification*. Under the Companies Law and the Articles, the Company may indemnify a director or executive officer for any of the following liabilities or expenses that he or she may incur due to an act performed or failure to act in their capacity as a director or officer of the Company:

- monetary liability imposed on the director or officer in favour of a third party in a judgment, including a settlement or an arbitral award confirmed by a court;
- reasonable legal costs, including attorneys' fees, expended by a director or officer (a) as a result of an investigation or proceeding instituted against the director or officer by a competent authority, provided that such investigation or proceeding concludes without the filing of an indictment against the director or officer and either: no financial liability was imposed on the director or officer in lieu of criminal proceedings, or a financial liability was imposed on the director or officer in lieu of criminal proceedings with respect to an alleged criminal offense that does not require proof of criminal intent or (b) in connection with an administrative enforcement proceeding or a financial sanction (without derogating from the generality of the foregoing, such expenses will include a payment imposed on the director in favour of an injured party as set forth in Section 52(54)(a)(1)(a) of Israel's Securities Law, 5728-1968 (the "**Securities Law**"), and expenses that the director or officer incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses such as attorneys' fees); and
- reasonable legal costs, including attorneys' fees, expended by the director or for which the director or officer is charged by a court:
  - in an action brought against the director or officer by the Company, on behalf of the Company or on behalf of a third party;
  - in a criminal action from which the director or officer is acquitted; or
  - in a criminal action in which the director or officer is convicted of a criminal offense which does not require proof of criminal intent.

5.17.2 The Company may indemnify a director or officer in respect of these liabilities either in advance of an event or following an event. If the Company undertakes to indemnify a director or officer in advance of an event, the indemnification, other than legal costs, must be limited to

foreseeable events in light of the Company's actual activities when the Company undertook such indemnification, and reasonable amounts or standards, as determined by the Board.

5.17.3 *Insurance.* Under the Companies Law and the Articles, the Company may obtain insurance for directors and officers against liabilities incurred in their capacity as directors or officers (as the case may be). These liabilities include:

- a breach of duty of care to the Company or a third-party;
- a breach of duty of loyalty;
- any monetary liability imposed on the director in favour of a third-party; and
- reasonable legal costs, including attorneys' fees, incurred by the director or officer as a result of an administrative enforcement proceeding instituted against him (without limiting from the generality of the foregoing, such expenses will include a payment imposed on the director or officer in favour of an injured party as set forth in Section 52(54)(a)(1)(a) of the Securities Law, and expenses that the director incurred in connection with a proceeding under Chapters H'3, H'4 or I'1 of the Securities Law, including reasonable legal expenses such as attorneys' fees).

5.17.4 *Exemption.* Under the Companies Law and the Articles, the Company may exculpate a director or officer from a breach of duty of care in advance of that breach. The Articles provide for exculpation both in advance or retroactively, to the extent permitted under Israeli law. The Company may not exculpate a director or officer from a breach of duty of loyalty towards the Company or from a breach of duty of care concerning dividend distribution or a purchase of the Company's shares by the Company or other entities controlled by the Company.

5.17.5 *Limitations on Exemption, Insurance and Indemnification.* Under the Companies Law, the Company may indemnify or insure a director or officer against a breach of duty of loyalty only to the extent that the director or officer acted in good faith and had reasonable grounds to assume that the action would not prejudice the Company. In addition, the Company may not indemnify, insure or exempt a director or officer against a breach of duty of care if committed intentionally or recklessly (excluding mere negligence), or committed with the intent to derive an unlawful personal gain, or for a fine, civil fine, financial sanction or forfeit levied against the director or officer.

5.17.6 Pursuant to the Companies Law, exculpation of, procurement of insurance coverage for, and an undertaking to indemnify or indemnification of, the Company's directors or officers must be approved by the Remuneration Committee, the Board and the Company by way of ordinary resolution.

5.17.7 The Articles allow the Company to indemnify, exempt and insure the directors and officers to the fullest extent permitted under the Companies Law. The Board and the shareholders have resolved to indemnify the Directors, each other Founder and the Company secretary to the extent permitted by law and by the Articles for liabilities not covered by insurance, that are of certain enumerated types of events, and subject to limitations as to amount. The Company has also entered into insurance, indemnification and exculpation agreements with each of the Directors, each other Founder and the Company secretary as described in paragraph 15.5 below.

5.18 ***Branch register***

The Company may, subject to and in accordance with the provisions of the Companies Law, cause a branch register or registers of shareholders to be kept at any place outside of Israel as the Board may think fit and, subject to all applicable requirements of law, the Board may from time to time adopt such rules and procedures as it may think fit in connection with the keeping of such a branch register or registers.

5.19 ***Shareholder notification requirements***

5.19.1 Where a shareholder acquires, becomes aware he has acquired or ceases to have an interest (directly or indirectly) in 3 per cent. or more of the issued shares of the Company (a "**Notifiable Interest**") they must notify the Company without delay. In addition, where a shareholder has a Notifiable Interest before and after an acquisition or disposal of an interest in shares, and their interest increases or decreases through any single percentage, they must notify the Company without delay.

5.19.2 A Notifiable Interest does not include interests in Dormant Shares (as defined in the Companies Law), but does include a right to subscribe for or convert into shares and any legal or beneficial interests, including a right to control directly or indirectly the exercise of any right conferred by the holding of shares of the Company.

5.19.3 In making such a notification, the shareholder must provide details of the price and amount of the shares involved, the nature of the transaction, the nature and extent of his interest in the transaction and the date on which he acquired or ceased to hold a Notifiable Interest or on which his Notifiable Interest increased or decreased through any single percentage.

5.19.4 The Board may, by written notice, require any person whom the Board knows or has reasonable cause to believe to be interested in shares in the Company to indicate whether or not it is the case, and to provide the particulars of their interest ("**Disclosure Notice**"). The Disclosure Notice shall require any information in response to be given as soon as reasonably practicable but no later than three business days and the Disclosure Notice will remain in effect until the Board determine otherwise and notify the shareholder accordingly.

5.19.5 Where a shareholder is in default of a Disclosure Notice, and remains so following the period provided for in the notice, the shares in respect of which he is in default ("**Default Shares**") will be subject to certain restrictions, provided those shares represent at least one per cent. of the issued and outstanding shares of the Company. The restrictions include forfeiting his entitlement to dividends in respect of the Default Shares until he complies with the Disclosure Notice, although the amount of the dividend that would otherwise be due will be set aside and become payable upon his compliance. Further, he will be restrained from transferring the Default Shares, or any rights in them (other than on arm's length terms as outlined below).

5.19.6 The restrictions shall cease to apply the trading day after the earlier of due compliance to the satisfaction of the Board with the Disclosure Notice, receipt by the Company of a notice that the shareholding has been sold to a third party under an arm's length transfer, or a decision of the Board to waive those restrictions in whole or in part. However, the restrictions shall not restrict the shareholder's ability to sell or agree to sell the shares under an arm's length transfer.

5.19.7 Where a Disclosure Notice is served on the Depositary which fails to comply for any reason, the restrictions described in paragraph 5.19.5 will only be implemented in relation to those Default Shares in respect of which there has been a failure, and not in relation to any other shares held by the Depositary.

6. DIRECTORS' AND OTHER INTERESTS

6.1 As at the date of this document and immediately following the Placing and Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

	As at the date of this document		*Immediately following the Placing and Admission*	
Director	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Gal Haber[1]	14,134,186	14.07	10,084,361	8.78
Alon Gonen[2]	39,934,358	39.74	28,492,089	24.80
Inbal Esther Marom	Nil	Nil	Nil	Nil
Alastair Gordon[3]	Nil	Nil	34,782	0.03
Charles Fairbairn[4]	Nil	Nil	65,217	0.06
Henry Birch[5]	Nil	Nil	21,739	0.02
Daniel King	Nil	Nil	Nil	Nil
Total	54,068,544	53.81	38,698,188	33.68

1 The shares are registered in the name of Wavesoft

2 The shares are registered in the name of Sparta

3 The shares are registered in the name of Hargreave Hale Limited

4 The shares are registered in the name of Canaccord Genuity Wealth Limited

5 The shares are registered in the name of Smith & Williamson Investment Services Limited

6.2 Save as disclosed in paragraph 6.1 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of their family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non-beneficial.

6.3 As at 17 July 2013 (being the last practicable date prior to the publication of this document) and so far as the Directors are aware, the only persons (other than any Director) who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company as at the date of this document and immediately following the Placing and Admission are as follows:

	As at the date of this document		*Immediately following the Placing and Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Shimon Sofer[1]	14,134,186	14.07	10,084,361	8.78
Elad Ben Izhak[2]	14,134,186	14.07	10,084,361	8.78
Omer Elazari	8,600,000	8.56	6,135,868	5.34
Shlomi Weizmann	8,600,000	8.56	6,135,868	5.34
Odey Asset Management LLP	Nil	Nil	4,565,217	3.97
Newton Investment Management Limited	Nil	Nil	4,478,260	3.90
Hargreave Hale Limited	Nil	Nil	3,956,521	3.44
Investec Asset Management Limited	Nil	Nil	3,891,304	3.39

1 The shares are registered in the name of BQSoft Ltd, a company wholly owned by Mr. Sofer

2 The shares are registered in the name of Smarty Ltd a company wholly owned by Mr. Ben Izhak

6.4 The Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.

6.5 The voting rights of the persons listed in paragraph 6.3 above do not differ from the voting rights of any other holder of Ordinary Shares.

6.6 There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.

6.7 No Director nor any member of his or her family (within the meaning set out in the AIM Rules) has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

6.8 The Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this document:

Director	*Current*	*Previous*
Gal Haber	Wavesoft	None
Alon Gonen	Sparta	None
Inbal Esther Marom	MeVideoCy Ltd Plus500AU Pty Ltd	None
Alastair Gordon	Active Risk Group plc	A.L.P. Services Inc Alpnet Ireland Ltd Alpnet UK Ltd Alterian plc Automated Language Processing Services Ltd CompuType Ltd Interlingua Group Ltd SDL Global Solutions (Ireland) Limited SDL Holdings BV SDL Inc SDL International (Canada) Inc SDL International America Inc SDL International Belgium NV SDL International Nederland BV SDL Italia Unipersonale SRL SDL Japan KK SDL Multi-Lingual Solutions (Singapore) PTE Ltd SDL Multilingual Services GmbH & Co KG SDL Multilingual Services Verwaltung GmbH SDL Nederlands Holding BV SDL Passolo GmbH SDL plc SDL Sheffield Limited SDL Spain S.L. SDL Sweden AB SDL Technology Centre Limited Trados (Ireland) Ltd Trados GmbH
Charles Fairbairn	Amberley Publishing Holdings Ltd Crunchwell Services Ltd Elspeth Gibson Design Ltd Finsaga Ltd Growth Capital Invest Ltd New Finsaga Ltd Reedbest Properties	BDB Co No838 Ltd Brightview plc CCL Vehicle Rentals Ltd Granica Recruitment Ltd Research Now Ltd Statpro Group Plc

Henry Birch	None	Adgency Limited Betshop Group (Europe) Limited Leisure & Gaming Plc WHG (International) Limited WHG IP Licensing Limited WHG Services (Philippines) Limited WHG Services Limited WHG Spain PLC WHG Trading Limited William Hill (Malta) Limited
Daniel King	Blue Leaf Capital Limited Profitero Limited TickBack Limited	Little Lolly Limited

6.9 Mr Fairbairn was a director of Europe On-Line (London) Limited and resigned on 25 February 1996, being the date the company was sold by Pearson New Entertainment Limited. This company was subject to a creditor's voluntary liquidation which was approved by its shareholders and creditors on 31 July 1996. At the date of such liquidation a total of £2,648,358 was owed to its creditors. As far as Mr Fairbairn is aware, there are no outstanding amounts in relation to his directorship.

6.10 Mr Fairbairn was appointed a director of Directcast Network plc on 19 March 2001 and ceased to be a director on 7 December 2004 when the company was dissolved and struck off the register. At the time of the dissolution the company owed approximately £500,000 to its shareholders. As far as Mr Fairbairn is aware, there are no outstanding amounts in relation to his directorship.

6.11 Other than as disclosed above, as at the date of this document no Director:

6.11.1 has any unspent convictions in relation to any indictable offences; or

6.11.2 has been bankrupt or entered into an individual voluntary arrangement; or

6.11.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditor's voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or

6.11.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

6.11.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or

6.11.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

7. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

7.1 Each of the executive Directors provides their services to the Company pursuant to a service contract. The services of Gal Haber and Alon Gonen are provided to the Company pursuant to service contracts entered into by the Company with each of Wavesoft and Sparta, respectively. In addition, Mr. Haber and Mr. Gonen have entered into appointment letters with the Company. Details of these service contracts and letters of appointment are set out below.

7.2 The Company entered into a service contract dated 26 June 2013 with Wavesoft, pursuant to which Wavesoft makes Mr. Haber available to the Company to provide chief executive officer services. In consideration for the services, Wavesoft is entitled to a fee of NIS600,000 (plus VAT) per annum, reviewed annually. Wavesoft is also entitled to participate in a bonus scheme on terms decided by

the Remuneration Committee. Either party may terminate the agreement by giving 60 days' written notice. The Company may terminate the agreement with immediate effect for cause. On termination of the agreement, the Company will be obliged to pay any accrued but unpaid fees. On termination, Wavesoft has agreed that it shall not, and shall procure that Mr. Haber shall not, for a period of 12 months solicit or canvas the custom of, or deal with, any customer or potential customer. In addition, Wavesoft shall not, and shall procure that Mr. Haber shall not, for a period of 12 months, engage in business activity that competes with the Group in a country or geographical area in which the Group operates. Mr. Haber was appointed as an executive Director of the Company by letter of appointment dated 26 June 2013. The letter of appointment contains a non-compete and non-solicitation covenant from Mr. Haber on similar terms to that contained in the service contract. The letter of appointment does not provide for Mr. Haber to be paid any separate fees for the executive director services. The service contract and letter of appointment also contain provisions which restrict the disclosure of confidential information and protect the Group's intellectual property rights.

7.3 The Company entered into a service contract dated 26 June 2013 with Sparta, pursuant to which Sparta makes Mr. Gonen available to the Company to provide managing director services. In consideration for the services, Sparta is entitled to a fee of NIS600,000 (plus VAT) per annum, reviewed annually. Sparta is also entitled to participate in a bonus scheme on terms decided by the Remuneration Committee. Either party may terminate the agreement by giving 60 days' written notice. The Company may terminate the agreement with immediate effect for cause. On termination of the agreement, the Company will be obliged to pay any accrued but unpaid fees. On termination, Sparta has agreed that it shall not, and shall procure that Mr. Gonen shall not, for a period of 12 months solicit or canvas the custom of, or deal with, any customer or potential customer. In addition, Sparta shall not, and shall procure that Mr. Gonen shall not, for a period of 12 months, engage in business activity that competes with the Group in a country or geographical area in which the Group operates. Mr. Gonen was appointed as an executive Director of the Company by letter of appointment dated 26 June 2013. The letter of appointment contains a non-compete and non-solicitation covenant from Mr. Gonen on similar terms to that contained in the service contract. The letter of appointment does not provide for Mr. Gonen to be paid any separate fees for the executive director services. The service contract and letter of appointment also contain provisions which restrict the disclosure of confidential information and protect the Group's intellectual property rights.

7.4 Inbal Esther Marom is employed by the Company as Group chief financial officer pursuant to a service contract dated 26 June 2013. Her period of continuous employment began on 1 April 2009. Under the agreement, Ms. Marom is entitled to a salary of NIS480,000 per annum, reviewed annually. She is entitled to participate in a bonus scheme on terms decided by the Remuneration Committee. She is also entitled to contributions from the Company towards a professional education fund and insurance policies in respect of severance pay benefits, pension benefits and disability. Either party may terminate the agreement by giving 60 days' written notice. The Company may terminate the agreement with immediate effect for cause. On termination of the agreement, the Company will be obliged to pay all salary, bonus and benefits accrued, and, unless the termination is for cause under the circumstances prescribed by Israeli law, the Company will assign the benefit of the severance pay benefit insurance policy to Ms. Marom. On termination, Ms. Marom has agreed that, for a period of 12 months, she will not solicit or canvas the custom of, or deal with, any customer or potential customer. Neither will she, for a period of 12 months, engage in business activity that competes with the Group in a country or geographical area in which the Group operates. The service contract also contains provisions which, among other things, restrict the disclosure of confidential information and protect the Group's intellectual property rights.

7.5 Each of the non-executive Directors has a letter of appointment with the Company, details of which are set out below:

7.6 Alastair Gordon and Daniel King were appointed as non-executive Directors of the Company and Alastair Gordon was appointed as chairman on 26 June 2013 and by letters of appointment dated 26 June 2013. Charles Fairbairn was appointed as senior non-executive Director of the Company on 7 July 2013 and by letter of appointment dated 17 July 2013 and Henry Birch was appointed as non-executive Director of the Company on 7 July 2013 and by letter of appointment dated 17 July 2013. The fee payable for Mr. Gordon's services as a non-executive Director and chairman is £55,000 gross per annum and is subject to annual review, whilst the fee payable for Charles Fairbairn's services as a senior non-executive Director is £45,000 gross per annum and is also subject to annual review.

Further the fee payable for the services of each of Mr. King and Mr. Birch as non-executive Directors is £30,000 and £45,000 (respectively) gross per annum and is subject to annual review. Subject to the Companies Law, the appointments of Mr. Gordon and Mr. Birch are until the Company's next annual general meeting (at which they are subject to re-election), unless terminated on two months' notice by either the Company or the non-executive Director. Subject to the Companies Law, the appointments of Mr. Fairbairn and Mr. King (as Outside Directors) are for a period of three years from the date of appointment (and are subject to re-election at the next annual general meeting thereafter), unless terminated with the consent of the Director concerned on two months' notice.

7.7 Save as disclosed in paragraphs 7.1 to 7.6 above, there are no existing or proposed service contracts or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company within 12 months without payment of compensation.

7.8 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors (directly or indirectly) by any member of the Group in respect of the financial year ended 31 December 2012 was approximately £11,690.

7.9 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

8. RELATED PARTY TRANSACTIONS

Set out below are details of related party transactions entered into by the Company in the period from 1 January 2010 to the date of this document:

8.1 the Placing Agreement (refer to paragraph 13 of this Part V for further details);

8.2 the Lock-In Agreements (refer to paragraph 15.4 of this Part V for further details);

8.3 the Indemnification Agreements (refer to paragraph 15.5 of this Part V for further details);

8.4 the Plus500AU Distribution Agreement (refer to paragraph 15.8 of this Part V for further details);

8.5 the Plus500AU Share Purchase Agreement (refer to paragraph 15.9 of this Part V for further details);

8.6 the key management personnel of the Company are the Founders. In the period from 1 June 2009 to 30 June 2010, each Founder rendered services to the Company through a private Israeli company wholly-owned by the relevant Founder. During that period, in consideration for the services, each Founder received (via his wholly-owned company) a total of NIS50,000 per month plus VAT (except Alon Gonen, who received (via his wholly-owned company) NIS100,000 per month plus VAT). During that period, the service providers also received (via their wholly-owned companies) additional payments pro rata with respect to their shareholdings in the Company as further consideration for services provided to the Company. The aggregate amount of such additional pro rata payments made to Founders in the period from 1 July 2009 to 30 June 2010 was approximately $8.6 million. On 1 July 2010, the Company entered into a new consulting agreement with the wholly-owned company of each Founder, under which each Founder receives (via his wholly-owned company) NIS50,000 per month plus VAT in consideration for services provided to the Company. Such agreements may be terminated by either party upon 60 days' notice. The agreements with Wavesoft and Sparta have been superseded by the service contracts entered into by such entities for the provision of the services of Mr. Haber and Mr. Gonen (respectively) as further detailed in paragraph 7.2 and paragraph 7.3 (respectively) of this Part V;

8.7 the Plus500UK Shareholders Agreement (refer to paragraph 15.10 of this Part V for further details); and

8.8 the Plus500UK Inter-Company Agreement (refer to paragraph 15.6 of this Part V for further details).

No Director has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

9. TAXATION

9.1 The following is only a general guide to the main UK and Israeli tax consequences that should apply to shareholders of the Company who acquire their shares via trading on AIM, hold their shares as investments, are the absolute beneficial owners of the shares and any dividends received in respect of those shares and are UK tax resident individuals or companies. It does not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders of acquiring, holding or disposing of shares. Specifically, it is not addressed to certain categories of shareholders who are subject to special rules, such as dealers in securities or those who have acquired (or are deemed for tax purposes to have acquired) their shares by reason of employment.

9.2 Any statements made as regards the main UK tax consequences applicable to shareholders of the Company are based on current UK tax legislation and what is understood to be the current practice of Her Majesty's Revenue and Customs ("**HMRC**").

9.3 The descriptions of the Israeli tax laws and practices set forth below are based on the statutes, regulations, rulings, judicial decisions and other authorities in force and applied in practice as of the date of this document, all of which are subject to change and differing interpretations.

9.4 If you are in any doubt as to your own tax position or are resident or subject to tax in a jurisdiction outside the UK, you should seek independent professional advice without delay.

9.5 The directors intend that the Company will be tax resident in Israel.

9.6 With respect to dividends sourced from regular earnings, the current Israeli rate of withholding tax on dividends paid by a company is 30 per cent. for distributions to a "substantial shareholder" (being someone who holds, directly or indirectly, by himself or "together with another", at least 10 per cent. of one or more of the means of control in the company – "together with another" means together with a relative, or together with someone who is not a relative but with whom, according to an agreement, there is regular cooperation in material matters of the Company, directly or indirectly) and 25 per cent. with respect to distributions to all other holders of Ordinary Shares.

9.7 Notwithstanding the above, with respect to dividends sourced from regular earnings which are distributed to a substantial shareholder, as defined in paragraph 9.6 above, that holds its shares in a publicly traded company via a "nominee company" (as defined under the Securities Law, 1968), a 25 per cent. withholding tax rate should apply. In such a case, the substantial shareholder in question is required to file an Israeli tax return for the tax year in which the distribution was executed. Within the framework of such return, the dividend income shall be reported and pursuant thereto an additional tax liability in the amount of five per cent. of the gross dividend (for an overall tax rate of 30 per cent.) should be paid.

9.8 In addition, dividends distributed by the Company which are sourced from preferred enterprise earnings generated by the Company in accordance with the provisions of the Law for the Encouragement of Capital Investments, 1959, are generally subject to withholding tax at a rate of 15 per cent. (please note that the Israeli Parliament is currently considering enacting legislation which would increase this rate to 20 per cent.).

9.9 The double taxation treaty between Israel and the UK (the "**UK Treaty**") provides for the foregoing withholding to be reduced to 15 per cent. where the recipient is subject to tax on the dividends received in the UK. This relief under the UK Treaty would not be available if the holder of Ordinary Shares had a permanent establishment in Israel and their holding of Ordinary Shares with respect to which the dividends are paid was effectively connected with the business or trade of that permanent establishment. The reduced rate of withholding tax is also not available under the UK Treaty if: (i) the recipient owns 10 per cent. or more of the class of shares in respect of which the dividend is paid, to the extent that the dividend in question could only have been paid out of profits which the Company earned or out of other income which it received in a period ending twelve months or more before the relevant date (for these purposes, the "relevant date" is the date on which the recipient of the dividend became the owner of 10 per cent. or more of the class of shares in question); and (ii) the recipient cannot show that the shares were acquired for bona fide commercial reasons and not primarily for the purpose of securing the benefit of the reduced withholding tax rate under the UK Treaty.

9.10 In order to enjoy the reduced withholding tax rate prescribed under the Law for the Encouragement of Capital Investments, 1959 or the UK Treaty, a certificate from the Israeli tax authorities must be obtained, which in some cases requires the shareholder to confirm their tax residence.

9.11 Under Israeli law, other than with regard to dividend distributions relating to publicly traded shares held by shareholders via a "nominee company" (as defined under the Securities Law, 1968), the Company is required to withhold tax from dividend distributions in the manner detailed above.

9.12 Provided that the Company is not resident in the UK for taxation purposes and does not carry out any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation on its income and gains, other than in respect of interest and other income received by the Company from a UK source (to the extent that it is subject to withholding taxes in the UK).

9.13 It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

9.14 A UK tax resident individual Shareholder who receives a dividend from the Company (the amount received being the "net dividend") will normally be entitled to a tax credit equal to one-ninth of the amount of the net dividend. The individual will be subject to UK income tax on the aggregate of the net dividend and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income. The individual will be liable to income tax in respect of the dividend at the dividend ordinary rate, the dividend upper rate or the dividend additional rate.

9.15 An individual Shareholder who is liable to UK tax at the basic rate, will be charged to tax on the gross dividend at the dividend ordinary rate of 10 per cent. (for the tax year 2013/14). So the tax credit will fully discharge that Shareholder's income tax liability on the dividend.

9.16 An individual Shareholder liable to UK tax at the higher rate will be charged to income tax on the gross dividend at the dividend upper rate of 32.5 per cent. (for the tax year 2013/14).

9.17 The 10 per cent. tax credit attached to the dividend will only partially discharge the Shareholder's 32.5 per cent. tax liability. An income tax charge of 22.5 per cent. of the gross dividend (25 per cent. of the net dividend) will remain.

9.18 An individual Shareholder liable to UK tax on their income at the additional rate will be charged to tax on the gross dividend at the dividend additional rate of 37.5 per cent. (for the tax year 2013/14).

9.19 In this situation, the 10 per cent. tax credit attached to the dividend will only partially discharge the Shareholder's 37.5 per cent. tax liability. An income tax liability at the rate of 27.5 per cent. of the gross dividend (approximately 30.6 per cent. of the net dividend) will remain.

9.20 Individual Shareholders may be able to claim relief for withholding tax suffered on dividends paid to them.

9.21 UK resident individual Shareholders who are not domiciled within the UK and who are claiming the remittance basis of taxation (or who are within it automatically), will generally be subject to UK income tax on the dividend receipt only if the dividend is remitted (or deemed to be remitted) to the UK. In such a case, it should be noted that advantage can only be taken of the reduced rate of withholding tax under the UK Treaty if the dividends are subject to UK tax and the recipient qualifies as a resident under the UK Treaty.

9.22 A corporate Shareholder (within the charge to UK corporation tax) which is a "small company" for the purposes of the UK taxation of dividends legislation will not generally be subject to UK corporation tax on dividends from the Company.

9.23 Other corporate Shareholders (within the charge to UK corporation tax) will not be subject to tax on dividends from the Company provided the dividends fall within an exempt class and certain conditions are met. In general, most dividends received by corporate Shareholders will fall within an exempt class. Examples of dividends that fall within exempt classes include dividends paid on shares that are non-redeemable ordinary shares, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the Company (or any class of that share capital).

9.24 The exemptions are not comprehensive and are subject to anti-avoidance rules. If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company. UK corporation tax is charged on dividends at the rate applicable to that company.

9.25 Shareholders who are able to claim an exemption from UK corporation tax on dividends from the Company will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

Capital gains tax

9.26 An individual, who is resident in the UK shall be liable to capital gains tax where a gain arises on the disposal of chargeable assets situated anywhere in the world (including shares in the Company held as an investment) subject to the application of relevant reliefs and exemptions.

9.27 Capital gains tax for individuals is payable (subject to certain reliefs) at 18 per cent. (for the tax year 2013/14) to the extent the individual is a basic rate taxpayer with total taxable income and capital gains below £32,011 and at 28 per cent. (for the tax year 2013/14) for all trustees and personal representatives, and on all gains above that level and on all gains of individuals who pay income tax at the higher or additional rate.

9.28 A company resident in the UK for corporation tax purposes will be liable for corporation tax in respect of a chargeable gain (or an allowable loss may arise) on the disposal of shares in the Company, depending on the circumstances and subject to indexation allowance and any other available exemption or relief.

9.29 An individual Shareholder who is resident but not domiciled in the UK who claims the remittance basis of taxation (or who is automatically within the remittance basis) and whose shares are not situated in the UK, will be liable to UK capital gains tax only to the extent that chargeable gains made on the disposal of shares are remitted or deemed to be remitted to the UK. Provided the Company's share register is situated outside the UK, the shares should be considered to be located abroad for capital gains tax purposes, but dealings in the shares on AIM or through depositary interest programmes located in the UK may give rise to remitted profits which would therefore be taxable.

9.30 Under Israeli law, in general, shareholders resident outside Israel are exempt from tax in Israel with respect to capital gains realised on the sale of shares of an Israeli resident company which were acquired starting from 1 January 2009, provided (i) such gains are not attributable to a permanent establishment of the shareholder in Israel; (ii) the acquisition of the shares was not from a relative and the provisions of Part E2 of the Income Tax Ordinance (New Version) 1961, or the provisions of Section 70 of the Real Estate Taxation Law, do not apply to it; (iii) the shares were not traded on a stock exchange in Israel at the time of the sale; and (iv) most of the value of the assets held, directly or indirectly, by the company on the acquisition date of the shares and for the two years preceding their sale was not attributable to real estate rights or rights in a real estate association.

9.31 Under Israeli law, non-Israeli resident companies will not be entitled to such exemption if (i) an Israeli resident has a controlling interest, directly or indirectly, alone, together with another (as defined in paragraph 9.6 above), or together with another Israeli resident, of 25 per cent. or more in one or more of the means of control in such non-Israeli resident company; or (ii) Israeli residents are the beneficiaries of or are entitled to 25 per cent. or more of the revenues or profits of such non-Israeli resident company, whether directly or indirectly.

9.32 In any event, UK residents disposing of shares in the Company could rely on the UK Treaty which exempts UK resident shareholders from Israeli tax on capital gains where the capital gains are subject to tax in the UK and are not attributable to a permanent establishment of the shareholder in Israel.

However, where shares in the Company are, for example, held by a UK resident that qualifies under UK law for a tax exemption upon the disposal of such shares, it is uncertain that the Israeli Tax Authorities ("**ITA**") will accept that the benefits of the UK Treaty apply as the capital gain might be deemed by the ITA not to have been subject to UK tax. Therefore the exemption contained within Israeli domestic law may be the only protection available from Israeli taxation.

Stamp duty and stamp duty reserve tax

9.33 The following comments are intended as a guide to the general Israeli and UK stamp duty and stamp duty reserve tax ("**SDRT**") position and do not relate to persons such as market makers, brokers, dealers, intermediaries, persons connected with voluntary arrangements, depositary receipt arrangements or clearing services or persons who enter into sale and repurchase transactions in respect of the Ordinary Shares for whom special rules apply.

9.34 No UK stamp duty or SDRT should be payable on the issue of the Ordinary Shares.

9.35 For Ordinary Shares held outside CREST, no UK stamp duty should generally be payable, provided that any instrument of transfer is not executed in the UK and is kept outside the UK and does not relate to any property situated, or to any matter or thing done or to be done in the UK. If this is not the case, the transfer of the Ordinary Shares will generally be subject to UK stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer, rounded up, where necessary, to the nearest £5). The purchaser usually pays the UK stamp duty.

9.36 Provided that any Ordinary Shares held outside CREST are not registered in a register kept in the UK by or on behalf of the Company nor are paired with shares issued by a body corporate incorporated in the UK, no UK SDRT should be generally chargeable in respect of any agreement to transfer Ordinary Shares. If this is not the case, the agreement to transfer the Ordinary Shares will generally be subject to UK SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. UK SDRT is, in general, payable by the purchaser.

9.37 No stamp duty or SDRT should arise on the transfer of the Ordinary Shares to the Depositary (or one of its subsidiaries), to hold in its capacity as Depositary, nor on the subsequent issue by the Depositary to that transferor of DIs representing the underlying Ordinary Shares in an uncertificated form (which are eligible for settlement through CREST).

9.38 Assuming that transfers of DIs operate without any written instrument or transfer or written assignment to transfer, no stamp duty will be payable by the purchasers of such DIs. However, UK SDRT will be payable in respect of agreements to transfer DIs within CREST at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer.

9.39 There is no stamp duty in Israel on issuance or transfer of shares.

10. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, taking into account the net proceeds of the Placing receivable by the Company that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

11. SIGNIFICANT CHANGE

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 December 2012, the date to which the Group's last audited financial statements were published.

12. LITIGATION

Save as disclosed in this document, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

13. PLACING AGREEMENT

In connection with the Placing, the Company, the Directors and Liberum Capital entered into the Placing Agreement on 18 July 2013. The Placing Agreement is conditional on, *inter alia*, Admission occurring on 24 July 2013 or such later date (not being later than 8.00 a.m. on 15 August 2013) as the Company and Liberum Capital may agree. The principal terms of the Placing Agreement are as follows:

13.1 Liberum Capital has agreed, as agent of the Company, to use its reasonable endeavours to procure placees to subscribe for the New Ordinary Shares at the Placing Price;

13.2 the Company has agreed to pay Liberum Capital, provided the Placing Agreement becomes unconditional, a corporate finance fee of £150,000 and a commission of 4 per cent. of the aggregate value at the Placing Price of the New Ordinary Shares (plus any applicable VAT);

13.3 the Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements (other than any taxes payable on the transfer of the Sale Shares (if any) which are payable by the Selling Shareholders) together with any applicable VAT;

13.4 the Company and the Directors have given certain customary warranties to Liberum Capital as to the accuracy of the information in this document and as to other matters relating to the Group. The liability of the Directors under these warranties is limited in time and amount. The Company and the Executive Directors have given an indemnity to Liberum Capital against any losses or liabilities arising out of the proper performance by Liberum Capital of its duties under the Placing Agreement; and

13.5 Liberum Capital may terminate the Placing Agreement before Admission in certain circumstances, including for breach of the warranties referred to above.

14. SELLING SHAREHOLDERS AGREEMENT

14.1 The Selling Shareholders and the Company entered into the Selling Shareholders Agreement with Liberum Capital on 18 July 2013. Liberum Capital has agreed, as agent for each of the Selling Shareholders, to use its reasonable endeavours to procure placees to purchase the Sale Shares, at the Placing Price.

14.2 The Selling Shareholders have agreed to pay Liberum Capital a commission equal to four per cent. of the aggregate value of the Sale Shares at the Placing Price (plus any applicable VAT).

14.3 The Selling Shareholders have given customary warranties to Liberum Capital as to the Sale Shares. The Selling Shareholders have given Liberum Capital an indemnity against any losses or liabilities arising out of breach of the warranties referred to above. The liability of the Selling Shareholders under the warranties and the indemnity is limited in amount.

14.4 Liberum Capital may terminate the Selling Shareholders Agreement before Admission in certain circumstances including for breach of the warranties referred to above.

14.5 The following table contains details of the Selling Shareholders and the Sale Shares to be sold by them pursuant to the Placing.

Name	*Business address*	*Number of Sale Shares*	*Position, office or material relationship with the Group during the past three years*
Wavesoft	PO Box 9058 Ein Ayala 30825 Israel	4,049,825	Wholly-owned by Gal Haber, Chief Executive Officer. Party to service agreements with the Company dated 1 July 2010 and 26 June 2013 (details of which are set out in paragraph 8.6 and paragraph 7.2 respectively of this Part V)
Sparta	Edward Bernstein 4 Tel Aviv Israel	11,442,269	Wholly-owned by Alon Gonen, Managing Director. Party to service agreements with the Company dated 1 July 2010 and 26 June 2013 (details of which are set out in paragraph 8.6 and paragraph 7.3 respectively of this Part V)
Smarty Ltd.	Wingate 28 Zichron Yaakov Israel	4,049,825	Wholly-owned by Elad Ben Izhak, Vice-President Marketing. Party to a service agreement with the Company dated 1 July 2010 (details of which are set out in paragraph 8.6 of this Part V)
BQSoft Ltd.	Tzivoni 20 Haifa 34651 Israel	4,049,825	Wholly-owned by Shimon Sofer, Vice-President Research & Development. Party to a service agreement with the Company dated 1 July 2010 (details of which are set out in paragraph 8.6 of this Part V)
Omer Elazari	3 Yiftah Street, Haifa 34671 Israel	2,464,132	Vice-President Research & Development. Provides services pursuant to a service agreement with the Company dated 1 July 2010 (details of which are set out in paragraph 8.6 of this Part V)
Shlomi Weizmann	Givat Yoav 12946 Israel	2,464,132	System Architect. Provides services pursuant to a service agreement with the Company dated 1 July 2010 (details of which are set out in paragraph 8.6 of this Part V)
Naschitz, Brandes & Co., Advocates	5 Tuval Street Tel Aviv 67897 Israel	273,542	Israeli law legal advisers to the Company

15. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

15.1 The Placing Agreement.

15.2 The Selling Shareholders Agreement.

15.3 The Nomad Agreement

Pursuant to the Nomad Agreement entered into between the Company and Liberum Capital, Liberum Capital has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules. Under the terms of the Nomad Agreement, Liberum Capital shall provide, amongst other things:

15.3.1 advice to the Company and Directors in relation to matters concerning the London Stock Exchange and the AIM Rules; and

15.3.2 advice to the Company and Directors on all other matters relevant to a company whose shares are admitted to trading on AIM.

The Company has agreed to pay Liberum Capital a retainer fee of £37,500 in respect of the first year following Admission and £75,000 per annum thereafter as well as payment of any out-of-pocket expenses reasonably incurred by Liberum Capital in connection with the performance of its services under the Nomad Agreement.

Either party is able to terminate the agreement at any time after the first anniversary of Admission upon giving two months' written notice to the other party. The Nomad Agreement also contains provisions for early termination in certain circumstances. A customary indemnity is given by the Company to Liberum Capital in relation to the provision by Liberum Capital of its services under the Nomad Agreement.

15.4 The Lock-In Agreements

Under the Lock-In Agreements, the Founders have agreed that, subject to certain limited exceptions (such as pursuant to a takeover or court order), they will not dispose of any Ordinary Shares (or any interest thereon) for a period of six months from Admission ("**Lock-In Period**"), without the prior written consent of the Company and Liberum Capital and any disposal of Ordinary Shares between the expiry of the Lock-In Period and the first anniversary of Admission will be made through Liberum Capital (or the Company's broker from time to time, as applicable) in such orderly manner as they shall reasonably determine.

15.5 The Indemnification Agreements

Under the Indemnification Agreement entered into with each Director, the Company secretary and each other Founder, the Company has undertaken to exempt and indemnify each individual to the fullest extent permitted under the Companies Law as described in paragraph 5.17 of this Part V. The aggregate amount payable by the Company under an Indemnification Agreement shall not exceed 50 per cent. of the shareholders' equity of the Company measured by the most recently published balance sheet of the Company prior to the time that notice of indemnification is delivered to the Company.

15.6 The Plus500UK Inter-Company Agreement

Under the Plus500UK Inter-Company Agreement, Plus500UK pays the Company a monthly fee in return for various services including in relation to marketing, IT, traders' support, technical expertise, the "500Affiliates" programme and the provision of software development. Under the Plus500UK Inter-Company Agreement, the Company grants Plus500UK a non-exclusive license to use the Company's intellectual property, including the Trading Platform. The fee paid by Plus500UK is calculated as a percentage of the revenue generated by Plus500UK from dealing spreads, being 73 per cent. if such revenue is US$100,000 or less, 77 per cent. if such revenue is between US$100,001 and US$300,000 or 78 per cent. if such revenue exceeds US$300,000.

The Plus500UK Inter-Company Agreement also provides for hedging services to supplied exclusively by the Company to Plus500UK. Under this arrangement, Plus500UK hedges the positions taken on as a result of its customers' trading activities by entering into identical trades with the Company. In addition, the Company provides Plus500UK with credit card processing services in consideration for a fee in the amount of five per cent. of each transaction.

The Plus500UK Inter-Company Agreement provides for termination in the following circumstances:

- for convenience, upon 180 days' written notice from Plus500UK to the Company or upon 360 days' written notice from the Company to Plus500UK (other than in respect of the hedging services which may be terminated by either party upon 7 days' written notice);
- for cause, upon material breach by either party;
- upon insolvency or bankruptcy of either party; and
- by the Company in the event that Plus500UK's FCA authorisation is no longer in effect.

The Plus500UK Inter-Company Agreement contains a broad indemnity from Plus500UK in favour of the Company and does not include a limitation of liability provision.

The Plus500UK Inter-Company Agreement is governed by the laws of Israel.

15.7 Depositary agreement

On 16 July 2013 the Company and the Depositary entered into a depositary agreement whereby the Depositary is appointed to act as depositary of the Company upon the terms of the Deed Poll. The Depositary shall be entitled to receive a set-up fee from the Company of £7,500 and a basic fee of £1.70 per DI holder account per annum, subject to a minimum of 8,000 per annum. The Depositary shall also be entitled to the reimbursement of all out of pocket expenses which it incurs during the proper performance of its duties, obligations and responsibilities under the Deed Poll and the depositary agreement. The depositary agreement is for an initial period of 3 years (the "**Initial Period**") and will automatically be renewed on expiry of this period for a further 12 months unless terminated by either party. The agreement may be terminated by either party on an event of default, a material breach or by giving not less than 90 days' written notice save that the Company's notice to terminate will not expire earlier than the expiry of the Initial Period.

15.8 Plus500AU Distribution Agreement

The Company and Plus500AU are parties to the Plus500AU Distribution Agreement, under which Plus500AU makes trading services available, on a non-exclusive basis, to customers located within Australia and New Zealand. Pursuant to the Plus500AU Distribution Agreement, the Company provides various services to Plus500AU, including advertising and marketing, technical support and hedging of customers' positions such that Plus500AU shall not be exposed to credit risk. The Company assumes certain risks in relation to the business of Plus500AU, including market risk, product defect risk, credit risk, foreign exchange risk, platform liability risk and ownership of property, and plant and equipment risk.

The transfer price under the Plus500AU Distribution Agreement ("**Transfer Price**") shall be determined as follows: the parties agree that Plus500AU's operating profit range shall be between 2.45 per cent. to 4.05 per cent. (the "**Operating Profit Range**") and within 15 days of each calendar quarter, or at such other time as may be mutually determined by the parties, Plus500AU and the Company shall calculate and adjust the Transfer Price in order to ensure that Plus500AU's operating profit is within the Operating Profit Range.

In addition, if Plus500AU's operating profit for a calendar year so computed is greater than the high end of the Operating Profit Range there shall be deemed to exist an excess in the amount of the operating profit (the "**Excess**"). If the annual operating profit of Plus500AU so computed is less than the low end of the Operating Profit Range there shall be deemed to exist a shortfall in the amount of the operating profit (the "**Shortfall**"). Not later than sixty (60) days after the end of each calendar year, either Plus500AU shall compensate the Company in the amount of any Excess or the Company shall compensate Plus500AU in the amount of the Shortfall, as applicable.

The Company and Plus500AU shall review the Operating Profit Range at the close of the calendar year 2013 and at the close of every subsequent calendar year thereafter, and may adjust it at such times upon mutual agreement.

The Company shall indemnify Plus500AU against any action that is based on a claim that the distribution of the Trading Platform in the relevant territory infringes the intellectual property rights of another person and shall pay any costs and damages finally awarded against the Plus500AU in any

such action. In addition, the Company shall indemnify and hold harmless Plus500AU against certain claims or actions which may be made or brought by any customer or employee of Plus500AU, or by ASIC, and shall, to the extent the professional indemnity insurance maintained by Plus500AU is not adequate, reimburse any compensation which a customer may claim against Plus500AU.

The initial term of the Plus500AU Distribution Agreement is two (2) years and it shall thereafter automatically be renewed for additional one-year terms, unless terminated in accordance with its terms.

The Plus500AU Distribution Agreement provides for termination in the following circumstances:

- by either party for convenience upon 180 days' written notice;
- upon Plus500AU's insolvency; or
- by the Company in the event that Plus500AU's ASIC authorisation is no longer in effect.

The Plus500AU Distribution Agreement is governed by and construed in accordance with the laws of the State of Israel.

15.9 Plus500AU Share Purchase Agreement

On 25 March 2013 the Company and Plus500AU entered into an Australian law governed share purchase agreement in relation to an investment by the Company of AU$750,000 in Plus500AU in exchange for the issuance of 750,000 redeemable preference shares in Plus500AU ("**Redeemable Preferred Shares**").

According to the agreement, the purpose of the funding is to assist Plus500AU to meet its Australian regulatory obligations (as set out in its Australian Financial Service Licence and in ASIC's Regulatory Guide RG 166 (Licensing: Financial Requirements)).

The Redeemable Preferred Shares: (i) do not participate in surplus assets and profits; (ii) have no entitlement to dividends; (iii) have no voting rights; and (iv) have no priority of payment of capital and dividends in relation to other shares or classes of preference shares.

The Redeemable Preferred Shares are redeemable: (i) at Plus500AU's option; or (ii) upon twenty-eight (28) days' written notice by the Company to Plus500AU, subject to Plus500AU being able to meet the financial requirements under ASIC Regulatory Guide RG 166 immediately following redemption of the shares. The Redeemable Preferred Shares are otherwise not redeemable at the Company's option.

The redemption amount of each Redeemable Preferred Share is AU$1.00.

15.10 Plus500UK Shareholders' Agreement

On 24 December 2009, the Company, Plus500UK and Mr. Dror Sordo, chief executive officer of Plus500UK, entered into an English law governed shareholders' agreement in relation to Plus500UK.

The agreement contains restrictions on the transfer of the 'B ordinary shares' held by Mr. Sordo in Plus500UK without the consent of the Company for a certain period, and grants the Company a first right of refusal in relation to any such transfer thereafter. Should Plus500UK issue further shares, the agreement provides each shareholder with the right to subscribe for a pro rata proportion of such shares. Under the agreement, the Company has the right to appoint and remove directors in its absolute discretion. The agreement provides that the Company's consent is required before certain matters may be undertaken by Plus500UK, including, *inter alia*, changing its articles, changing its name, or entering into substantial property transactions.

The agreement grants Mr. Sordo a put option to sell to Plus500UK half of the 'B ordinary shares' held by Mr. Sordo in Plus500UK for NIS1 million in certain circumstances within a three year period from 29 June 2013. In addition, the agreement also grants the Company a call option to purchase at any time all (or some of) the 'B ordinary shares' held by Mr. Sordo in Plus500UK for NIS 3 million (or a pro rata proportion thereof). On 17 February 2013, the Company resolved, subject to Admission, to exercise in full the Company's call option over the 'B ordinary shares' held by Mr. Sordo for

NIS 3 million. The resolution provides that a formal call option notice will be sent to Mr. Sordo within 60 days of Admission.

In accordance with its terms, the shareholders' agreement will terminate upon the Company becoming the sole shareholder of Plus500UK, however obligations of confidentiality imposed on both the Company and Mr. Sordo in respect of information relating to each other and Plus500UK survive termination of the agreement.

16. CONSENTS

16.1 PricewaterhouseCoopers has given and not withdrawn its written consent to the inclusion of its report in Part IV of this document in the form and context in which it appears and has authorised the contents of its report for the purposes of Schedule 2 of the AIM Rules.

16.2 Liberum Capital has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

17. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

17.1 As the Company is incorporated in Israel, it is subject to Israeli law and the Takeover Code will not apply to the Company, except to the extent share control limits are incorporated into the Articles, as described in paragraphs 5.10 and 17.5 of this Part V.

Mergers

17.2 The Companies Law permits merger transactions, provided that each party to the transaction obtains the approval of its board of directors and shareholders (excluding certain merger transactions which do not require the approval of the shareholders, as set forth in the Companies Law). For the purposes of the shareholder vote of each party, the merger will not be deemed approved if a majority of the shares not held by the other party, or by any person who holds 25 per cent. or more of the shares or the right to appoint 25 per cent. or more of the directors of the other party, has voted against the merger.

17.3 The Companies Law requires the parties to a proposed merger to file a merger proposal with the Israeli Registrar of Companies, specifying certain terms of the transaction. Each merging company's board of directors and shareholders must approve the merger. Shares in one of the merging companies held by the other merging company or certain of its affiliates are disenfranchised for purposes of voting on the merger. A merging company must inform its creditors of the proposed merger. Any creditor of a party to the merger may seek a court order blocking the merger, if there is a reasonable concern that the surviving company will not be able to satisfy all of the obligations of the parties to the merger. Moreover, a merger may not be completed until at least 50 days have passed from the time that the merger proposal was filed with the Israeli Registrar of Companies and at least 30 days have passed from the approval of the shareholders of each of the merging companies.

17.4 In addition, the provisions of the Companies Law that deal with "arrangements" between a company and its shareholders may be used to effect squeeze-out transactions in which the target company becomes a wholly-owned subsidiary of the acquirer. These provisions generally require that the merger be approved by a majority of the participating shareholders holding at least 75 per cent. of the shares voted on the matter, as well as 75 per cent. of each class of creditors. In addition to shareholder approval, court approval of the transaction is required.

Articles and Special Tender Offer.

17.5 The Articles contain a prohibition on a person acquiring shares, whether by himself or in concert, which, when aggregated with shares held by his concert parties, carry 25 per cent. or more of the voting rights attributable to the shares of the Company except as a result of a "permitted acquisition". An acquisition is a "permitted acquisition" if (i) the acquisition is made in compliance with any applicable tender offer rules under the Companies Law as may be in effect at such time and (ii) the

acquisition is made in circumstances which the Takeover Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the Takeover Code, as if such rule applied.

17.6 The Companies Law provides that an acquisition of shares of a public Israeli company must be made by means of a special tender offer if, as a result of the acquisition, the purchaser could become a holder of 25 per cent. or more of the voting rights in the Company. This rule does not apply if there is already another holder of at least 25 per cent. of the voting rights in the Company.

17.7 Similarly, the Companies Law provides that an acquisition of shares in a public company must be made by means of a tender offer if, as a result of the acquisition, the purchaser could become a holder of more than 45 per cent. of the voting rights in the company, if there is no other shareholder of the company who holds more than 45 per cent. of the voting rights in the company.

17.8 A special tender offer must be extended to all shareholders of a company but the offeror is not required to purchase shares representing more than 5 per cent. of the voting power attached to the company's outstanding shares, regardless of how many shares are tendered by shareholders. A special tender offer may be consummated only if (i) at least 5 per cent. of the voting power attached to the company's outstanding shares will be acquired by the offeror and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer.

17.9 If a special tender offer is accepted, then the purchaser or any person or entity controlling it or under common control with the purchaser or such controlling person or entity may not make a subsequent tender offer for the purchase of shares of the target company and may not enter into a merger with the target company for a period of one year from the date of the offer, unless the purchaser or such person or entity undertook to effect such an offer or merger in the initial special tender offer.

17.10 Shares that are acquired in violation of this requirement to make a tender offer will be deemed Dormant Shares (as defined in the Companies Law) and will have no rights whatsoever for so long as they are held by the acquirer.

Full Tender Offer

17.11 Under the Companies Law, a person may not purchase shares of a public company if, following the purchase, the purchaser would hold more than 90 per cent. of the company's shares or of any class of shares, unless the purchaser makes a tender offer to purchase all of the target company's shares or all the shares of the particular class, as applicable. If, as a result of the tender offer, either:

7.11.1 the purchaser acquires more than 95 per cent. of the company's shares or a particular class of shares and a majority of the shareholders that did not have a Personal Interest accepted the offer; or

7.11.2 the purchaser acquires more than 98 per cent. of the company's shares or a particular class of shares;

then, the Companies Law provides that the purchaser automatically acquires ownership of the remaining shares. However, if the purchaser is unable to purchase more than 95 per cent. or 98 per cent., as applicable, of the company's shares or class of shares, the purchaser may not own more than 90 per cent. of the shares or class of shares of the target company.

18. CREST AND DIs

Introduction

18.1 CREST is a paperless settlement procedure enabling securities to be transferred otherwise than by written instrument. Securities issued by non-UK companies such as the Company, cannot be held or transferred in the CREST system. However, the Company has entered into DI arrangements with the Depositary to enable investors to settle and pay for interests in Ordinary Shares through the CREST system.

18.2 DIs allow registered shares such as the Ordinary Shares to be settled electronically through the CREST system. The registered shares are transferred to the Depositary which then issues DIs to the CREST

accounts of individual subscribers for Ordinary Shares and provides the necessary custodial service. DIs can then be held, transferred and settled within the CREST system in the same way as any other CREST stock. Investors who elect to hold Ordinary Shares through the DI facility will be issued with one DI for each Ordinary Share. Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends.

18.3 Investors who elect to hold interests in Ordinary Shares through DIs will be bound by a Deed Poll, executed by the Depositary in favour of the holders of the DIs from time to time, the terms of which are summarised in paragraph 18.10 below. The rights and obligations pertaining to the DIs will be governed by English law. Holders of DIs will have no rights in respect of the underlying Ordinary Shares or the DIs against CREST, the operating company of the CREST system, or its subsidiaries.

18.4 In such cases, the Company's share register will show the Depositary as the holder of the Ordinary Shares, but the beneficial interest will be held by the investor. Pursuant to the Deed Poll, the Depositary has agreed to pass on to the DI holders all economic rights and voting rights attaching to the Ordinary Shares. The Depositary shall pass within three working days notices of meetings of holders of Ordinary Shares and other notices issued by the Company to its Shareholders and DI holders may give express written instructions to the Depositary on elections, choices or how to vote the underlying shares represented by their DIs or to receive a proxy to vote on the underlying shares themselves.

18.5 DI holders can request that the Depositary transfer to them a certain number of Ordinary Shares in exchange for the DIs. Such a transfer shall, pursuant to the Companies Law and insofar and as long as the Ordinary Shares are listed on AIM, be made through a written instrument certified by the transferor.

18.6 Stamp duty or stamp duty reserve tax considerations in relation to DIs are set out at paragraph 9 above.

18.7 Application has been made for the DIs in respect of the Company to be admitted to CREST with effect from the date of Admission.

18.8 DIs will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate application for admission to AIM. The DIs will exist only in uncertificated form and cannot be traded other than through CREST.

18.9 For more information concerning CREST, Shareholders should contact their brokers or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB, United Kingdom.

Summary of the Deed Poll

18.10 In summary, the Deed Poll contains, among other things, provisions to the following effect which are binding on holders of DIs:

18.10.1 The Depositary will hold (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or the Custodian pertaining to the DIs for the benefit of the holders of the DIs. The Depositary will re-allocate securities or distributions allocated to the Depositary or the Custodian pro rata to the Ordinary Shares held for the respective accounts of the holders of DIs but will not be required to account for fractional entitlements arising from such re-allocation.

18.10.2 Holders of DIs warrant, *inter alia*, that the securities in the Company transferred or issued to the Depositary or the Custodian on behalf of the Depositary for the account of the DI holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Articles or any contractual obligation, or applicable law or regulation binding or affecting such holder.

18.10.3 The Depositary and the Custodian must pass on to DI holders, or exercise on their behalf, all rights and entitlements received by the Depositary or the Custodian in respect of the underlying securities. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional

documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a holder to take up rights in the Company's securities requiring further payment, the holder must pay the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

18.10.4 The Depositary will be entitled to cancel DIs and treat the holder as having requested a withdrawal of the underlying securities in certain circumstances including where a DI holder fails to furnish to the Depositary such certificates or representation as to material matters of fact, including his identity, as the Depositary deems appropriate for implementation of the Deed Poll.

18.10.5 The Deed Poll contains provision excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from their negligence or wilful default or fraud or that of any person for whom they are vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of the Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of the Custodian or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of:

18.10.5.1 the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and

18.10.5.2 that proportion of £10 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts that the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event which gave rise to such liability or, if there are no such other amounts, £10 million.

18.10.6 The Depositary is entitled to charge holders of DIs fees and expenses for the provision of their services under the Deed Poll.

18.10.7 The holders of DIs are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to Euroclear UK and Ireland Limited any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction.

18.10.8 Each holder of DIs is liable to indemnify the Depositary and the Custodian (and their respective agents, officers and employees) against all liabilities arising from or incurred in connection with or arising from any act related to, the Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or Custodian in connection with the DIs) held by that holder other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent if the Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of the Custodian or agent.

18.10.9 The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceed therefrom, in order to discharge the indemnification obligations of DI holders.

18.10.10 The Depositary may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. The Depositary shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any monies due to it, together with any other cash held by it under the Deed Poll, pro rata to holders of DIs in respect of their DIs.

18.10.11 The Depositary or the Custodian may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Ordinary Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or the Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the holders of DIs are to comply with the Company's instructions with respect thereto.

19. GENERAL

19.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £2.0 million (exclusive of value added tax). This amount includes the commissions referred to in paragraph 13 of this Part V as well as a fee equal to the greater of: (a) £150,000; and (b) 1 per cent. of the net proceeds received by the Company from the sale of New Ordinary Shares in the Placing, but in any event not to exceed £500,000 (inclusive of VAT), which the Company has agreed to pay to Investec Bank plc in connection with the Placing provided that Admission occurs prior to 31 December 2013. This amount also includes a bonus of US$250,000 to be paid by the Company to Andrew Welsh (chief financial officer of Plus500UK) and bonuses of NIS1,000,000 to be paid by the Company to each of Elad Even-Chen (VP Business Development and Secretary) and Inbal Esther Marom (Group Chief Financial Officer), in each case within 60 days of Admission, provided each of the applicable employees is still employed by Plus500UK or the Company, as the case may be, at the time of Admission. The expected net proceeds of the Placing to the Company, after deduction of such costs and expenses, is £14.5 million. No expenses of the Placing are being specifically charged to subscribers under the Placing.

19.2 In the 12 months prior to the date of this document, the Group has paid certain professional advisers fees as follows: White & Case LLP, £178,298; Skaden, Arps, Slate, Meagher & Flom (UK) LLP, £208,741; Thompson Heath and Bond Limited, £106,145; Buchanan Communications Limited, £10,000; Investec Bank plc, £40,098; Morgan Stanley, £16,310; Meitar Liquornik Geva Lesham Tal Law Offices, £20,940 and Koperman Consulting Services, £13,145.

19.3 The chief executive officer of Plus500AU, Asaf Elimelech, is entitled to an annual bonus equal to 2 per cent. of the net income of Plus500AU under the terms of his employment agreement with Plus500AU.

19.4 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

19.5 The Placing Price of 115 pence represents a premium of 114.81 pence above the nominal value of NIS0.01 per Ordinary Share. The Placing Price is payable in full on application.

19.6 The auditors of the Company are PricewaterhouseCoopers, chartered accountants and registered auditors, who have audited the Company's accounts for each of the three financial years ended 31 December 2012.

19.7 Save as disclosed in this document, the Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.

19.8 Save as disclosed in this document, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.

19.9 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

19.10 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

19.11 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

19.12 Where information contained in this document has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

20. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available free of charge to the public during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE and shall remain available for at least one month after Admission. Copies of this document will also be available for download at the Company's website at www.plus500.com.

Dated: 18 July 2013