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# Playtech PLC

*(Incorporated in the Isle of Man with registered number 008505V)*

## Proposed acquisition of Plus500 Ltd.

and

## Notice of General Meeting

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Playtech that is set out in Part I of this document and which contains a unanimous recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below.**

Notice of the General Meeting of Playtech to be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man at 11.00 a.m. on 19 August 2015 is set out at the end of this document. A Form of Proxy for use at the General Meeting accompanies this document. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by the Registrars no later than 11.00 a.m. on 17 August 2015. Shareholders who wish to submit a proxy electronically may do so by accessing [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). Shareholders who hold their Ordinary Shares in CREST may utilise the CREST electronic proxy appointment service. Further instructions are given in the notice of the General Meeting at the end of this document. Completion and return of a Form of Proxy or the submission of a proxy electronically or the appointment of a proxy using the CREST electronic proxy appointment service will not prevent members from attending and voting in person should they wish to do so.

The Transaction is subject to, and conditional upon, *inter alia*, the approval of Shareholders at the General Meeting.

A summary of the action to be taken by Shareholders is set out on page 11 of this document and in the notice of General Meeting.

Canaccord Genuity, 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 the Transaction and will not be responsible to any person other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Transaction.

Apart from the responsibilities and liabilities, if any, that may be imposed on Canaccord Genuity under FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Canaccord Genuity accepts no responsibility whatsoever and makes no representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Transaction. Canaccord Genuity accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

This document contains forward-looking statements which are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only as of the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the rules of London Stock Exchange plc or by law.

This document is dated 31 July 2015.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Last time and date for receipt of a Form of Proxy for the General Meeting	11.00 a.m. on 17 August 2015
Last time and date for receipt of CREST Proxy Instructions for the General Meeting	11.00 a.m. on 17 August 2015
General Meeting	11.00 a.m. on 19 August 2015
Completion of the Transaction*	End of September 2015
<b>Notes:</b>	
1. All time references in this document are to London time unless otherwise stated.	
2. The dates and times given in this document are based on the Company's current expectation and may be subject to change.	
3. Any changes to the timetable set out above will be announced via a Regulatory Information Service.	

\* Subject to satisfaction of relevant conditions to completion of the Merger, details of which are set out in paragraph 5.1 of Part VI of this document. Pursuant to Israeli Companies Law, completion of the Merger cannot occur until at least: (i) 50 days have passed from the filing of the Merger Proposal with the Israeli Companies Registrar by Plus500 and Socialdrive (which occurred on 14 June 2015); and (ii) 30 days have passed from the approval of the Merger by Plus500 Shareholders (which occurred on 16 July 2015).

## PART I

### LETTER FROM THE CHAIRMAN

# Playtech PLC

*(Incorporated in the Isle of Man with registered number 008505V)*

#### *Directors*

Alan Jackson (*Non-executive Chairman*)  
Mor Weizer (*Chief Executive Officer*)  
Ron Hoffman (*Chief Financial Officer*)  
Hilary Stewart-Jones (*Non-executive Deputy Chairman*)  
Andrew Thomas (*Senior Independent Non-executive Director*)

#### *Registered Office*

Ground Floor  
St George's Court  
Upper Church Street  
Douglas  
Isle of Man IM1 1EE

31 July 2015

Dear Shareholder,

#### **Proposed acquisition of Plus500 Ltd. and Notice of General Meeting**

##### **1. Introduction**

The Company announced on 1 June 2015 that Brighttech Investments S.A. (a subsidiary of Playtech), Socialdrive Limited (a wholly owned subsidiary of Brighttech) and Plus500 had entered into the Merger Agreement under the terms of which Brighttech will acquire the entire issued and to be issued ordinary share capital of Plus500. The Plus500 Group is a leading online CFD broker and platform provider, licensed and regulated in the UK, Australia and Cyprus.

Under the terms of the Acquisition, Plus500 Shareholders will be entitled to receive 400 pence per Plus500 share in cash. The Acquisition values the entire issued ordinary share capital of Plus500 at approximately £459.6 million. It is intended that the acquisition will be effected by means of a merger of Socialdrive into Plus500 in accordance with the provisions of Israeli Companies Law. The Acquisition is not governed by the UK City Code on Takeover and Mergers. The parties currently anticipate that the Acquisition will be completed by the end of September 2015, subject to regulatory approval.

The Acquisition, owing to its size, constitutes a Class 1 transaction for the purposes of the Listing Rules and therefore requires the approval of the Shareholders, which will be sought at the General Meeting convened for 11.00 a.m. on 19 August 2015.

Completion of the Transaction is also subject to certain other conditions as set out in the Merger Agreement including:

- the approval of Plus500's Shareholders for the Acquisition (which was given on 16 July 2015);
- there being no event having a Company Material Adverse Effect (as defined in paragraph 5.1 of Part VI of this document) prior to completion of the Acquisition;
- regulatory approval for the Acquisition being received from and/or the appropriate notifications being made in respect of the Plus500 Group's various regulatory licences and any required anti-trust clearance; and
- the Israeli statutory waiting periods having elapsed following the filing of the relevant merger proposals with the Israeli Companies Registrar.

The purpose of this document is to: (i) explain the background to and reasons for the Transaction and provide certain information on the Plus500 Group and its prospects; (ii) explain why the Board unanimously considers the Transaction to be in the best interests of Shareholders as a whole; and (iii) recommend that you vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings, which in aggregate equal 68,500 Ordinary Shares, representing approximately 0.02 per cent. of the issued share capital of the Company as at 30 July 2015, being the latest practicable date prior to publication of this document.

Brickington Trading Limited, being the largest Playtech Shareholder, has also undertaken to vote in favour of the Transaction in respect of its own beneficial holding of 108,408,441 shares in Playtech representing

approximately 33.6 per cent. of the issued share capital of the Company as at 30 July 2015, being the latest practicable date prior to publication of this document.

## **2. Information on the Plus500 Group**

The Plus500 Group has developed and operates an online trading platform for retail customers to trade CFDs internationally, to more than 2,000 different underlying global financial instruments, comprising of equities, ETFs, foreign exchange, indices, commodities and options. The Plus500 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, Android and Windows smartphones) and tablets (iOS, Android and Surface)) and the internet. It also provides customers with access to a demo account for an unlimited period. The Directors believe that the success of the Plus500 Group to date has been primarily due to the 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 user-friendly as possible. The Directors believe that this emphasis on technology, together with the Plus500 Group's targeted online marketing strategy, has helped to differentiate the Plus500 Group from its competitors.

The Plus500 Group generates its revenues principally from the dealing spreads on the Trading Platform; in addition, the Plus500 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 Plus500 Group does not charge customers a commission on trades.

The Plus500 Group conducts its operations from five offices which are located in Haifa (Israel), London (United Kingdom), Sydney (Australia), Limassol (Cyprus) and Tel Aviv (Israel) and as at 30 June 2015 had 102 employees. The Plus500 Group has three operating subsidiaries which have been granted licences by regulators.

Plus500 was incorporated and registered in the State of Israel in 2008. Plus500UK, its subsidiary, is authorised by the FCA to operate in the UK. The Plus500 Group also holds a licence to operate in Australia, under the Australian Securities and Investments Commission (ASIC) and a licence in Cyprus from the Cyprus Securities and Exchange Commission (CySEC). Through both its UK and Cypriot subsidiaries, the Plus500 Group operates in other EEA countries, in addition to Gibraltar, through the regulatory passporting mechanism.

The Plus500 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 Plus500 Group also has in place a hedging policy designed to further manage risk.

The Plus500 Group operates a scalable B2C business model, which allows it to focus on small retail customers, who have not historically been actively targeted by the Plus500 Group's competitors. Furthermore, the Plus500 Group's proprietary platform has been designed to be as intuitive and easy to use as possible.

The Plus500 Group reported unaudited results of total revenues for the six months ended 30 June 2015 of \$127.0 million, representing an increase of 19.5 per cent. on the same period in the previous year, with approximately 94 per cent. of the Plus500 Group's total revenue being derived from regulated markets.

### **2.1 History and Development**

The Plus500 Group was established in 2008 and is managed from its headquarters in Haifa (Israel).

The Founders remain actively involved in the Plus500 Group's business. They have collective experience in technology companies over the last 12 years and the broader management team comprises specialists in technology, online marketing, finance, regulation and financial risk limitation. The Founders, who are key members of the Plus500 Group's management team have executed undertakings that they will remain with the business for a period of 12 months from completion of the Acquisition to secure a smooth transition and integration process.

In 2009, the Plus500 Group launched its first PC-based version of the Trading Platform. In 2010, the Plus500 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 users. During 2012, the Plus500 Group introduced an Android app for smartphone and tablet devices. In 2013, new features were added to all mobile platforms to bring them on par with the PC-based version. In 2014, a Windows 8 version was released and in 2015 a Windows Phone and Surface app were released. All versions support the entire Plus500 portfolio of financial instruments.

In June 2010, the Company's UK subsidiary, Plus500UK, received authorisation from the FCA which regulates its operations in the UK. In October 2012, Plus500's Australian subsidiary, Plus500AU received an AFSL which enables it to conduct a financial services business in Australia. To complement the Plus500 Group's existing regulatory authorisation in the UK, Plus500CY was granted a CFD market maker licence from CySEC to operate as a regulated investment firm on 10 October 2014. Through both its UK and Cypriot subsidiaries, the Plus500 Group operates in other EEA countries, in addition to Gibraltar, through the regulatory passporting mechanism.

In July 2013, Plus500's shares were admitted to trading on AIM. Since the IPO, the Plus500 Group has continued to grow by focusing on product innovation and development of the Trading Platform.

## **2.2 *Markets***

The Plus500 Group focuses its efforts primarily on its existing markets which comprise over 50 key countries. The Trading Platform software is localised in 31 languages providing customers a platform in their native language. In late 2014, the Company also expanded its live chat feature to offer more native language support worldwide.

The Plus500 Group's current core market is Europe where approximately 90 per cent. of its revenues are achieved (approximately 70 per cent. from Western Europe and 20 per cent. from Eastern Europe), with the UK being its largest jurisdiction with 16 per cent. of total revenue in 2014.

## **2.3 *Key Strengths***

The Directors believe that the Plus500 Group has a number of attributes which, collectively, differentiate the Plus500 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 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.

## **2.4 *Financial and business model***

The Plus500 Group's revenues are generated from three sources: dealing spreads, overnight premiums and gains (offset by losses) from customers' trading positions. Each revenue stream is detailed as follows:

### *Dealing spreads*

The Plus500 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 Plus500 Group seeks to offer competitive dealing spreads which vary by instrument category.

During 2014, the Plus500 Group added approximately 300 new instruments and reduced the spread of the most popular instruments to very competitive levels, such as FTSE100, GBP/USD, EUR/USD and oil. The same spreads are offered to the entire customer base.

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 Plus500 Group is able to generate a significant proportion of its revenues from the dealing spread. For the financial years ended 31 December 2013 and 31 December 2014, dealing spreads constituted approximately 77 per cent. and 87 per cent. (respectively) of the Plus500 Group's revenue.

### *Overnight premiums*

The Plus500 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 Plus500 Group pays the customer an overnight premium. For the financial years ended 31 December 2013 and 31 December 2014, overnight premiums constituted approximately 21 per cent. and 12 per cent. (respectively) of the Plus500 Group's revenue.

### *Profit or loss on customer trading positions*

The Plus500 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 Plus500 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 Plus500 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 Plus500 Group from trading positions represent actual losses/gains made by the Plus500 Group's customers. For the years ended 31 December 2013 and 31 December 2014, this revenue stream constituted approximately 2 per cent. and 1 per cent. (respectively) of the Plus500 Group's revenue.

Plus500 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 Plus500 Group online (directly and through affiliates). The Directors believe that market newsflow and market activity influence the Plus500 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 Plus500 Group's strategy is to attract retail customers who the Directors believe are attracted to the Plus500 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.

The Plus500 Group's proprietary technology is self-developed and so the Plus500 Group pays no external license fees for its core Trading Platform technology. This allows the Plus500 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 Plus500 Group a significant competitive advantage.

The Directors believe that as the CFD market continues to experience growth, the Plus500 Group has the proprietary technology to grow with it and at the same time increase the Plus500 Group's market share. In addition, developing or acquiring the necessary proprietary technology presents high barriers to entry for new entrants into the market due to the time-consuming and/or capital intensive nature of software development or acquisition which is initially required.

## **2.5 Marketing**

The Plus500 Group invests significantly in marketing and advertising as it believes that marketing and advertising are critical for increasing New Customers and Active Customers, which are among the main drivers of revenue growth. The Plus500 Group seeks to acquire customers through a range of marketing channels, both online (directly and through affiliates) and offline.

The Plus500 Group's marketing strategy is to focus on investing in targeted and cost-effective marketing initiatives which provide measurable results for the Plus500 Group. The majority of advertising is conducted through online channels such as search engine websites, apps, social media and the "500Affiliates" programme.

Under the "500Affiliates" programme, the Plus500 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 Plus500 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 Directors believe that this gives Plus500 a key competitive advantage.

The Plus500 Group has developed proprietary marketing software (the “Marketing Machine”) which helps the Plus500 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 Plus500 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 Plus500 Group is prepared to pay for a particular online marketing campaign, and as a result, allocate marketing resources more effectively.

The Plus500 Group also invests in certain offline marketing initiatives through traditional media, such as local and international television advertising, which the Directors believe help contribute to increased brand awareness. In addition, the Plus500 Group has signed a main sponsorship agreement with Club Atlético de Madrid. A summary of the terms of the arrangement is set out in paragraph 5.4 of Part V of this document.

## **2.6 *Regulation, compliance and security***

Plus500UK is licensed and regulated to operate in the UK under the Financial Conduct Authority (FCA), Plus500AU holds a licence to operate in Australia under the Australian Securities and Investments Commission (ASIC) and Plus500CY holds a licence in Cyprus from the Cyprus Securities and Exchange Commission (CySEC). In October 2014, the Plus500 Group’s Cyprus subsidiary, Plus500CY was granted a Cyprus investment firm authorization from the Cyprus Securities and Exchange Commission (CySEC). Through both its UK and Cypriot subsidiaries, the Plus500 Group operates in other EEA countries, in addition to Gibraltar, through the regulatory passporting mechanism.

On 9 January 2015, Plus500UK required by the FCA under section 166 of the Financial Services and Markets Act 2000 to appoint a skilled person to conduct a review of its AML and financial sanction systems and other related regulatory controls. On 30 October 2014, Plus500UK provided a Voluntary Requirement to the FCA whereby Plus500UK was prohibited from conducting all transaction for customers without the appropriate AML documentation.

Following completion of the skilled person’s review, on 15 May 2015, Plus500UK was required, amongst other things, to prohibit all transactions, for existing customers until additional AML documentation had been provided and cease on-boarding any new clients until new AML procedures had been implemented.

Plus500UK was required by the FCA under a section 166 requirement notice to appoint a second Skilled Person who was asked to review the steps taken by Plus500UK in regard to its remedial AML procedures for existing clients. The skilled person carried out a review of Plus500UK’s compliance with its remedial AML policies and procedures for existing customers in respect of a sample of existing customers. The skilled person sent a draft of its report to the FCA and Plus500UK on 26 June 2015. As announced on 30 June 2015, as at close of business on 27 June 2015 13,499 Plus500UK customers had been fully reviewed by its remediation team and unfrozen, thereby enabling those customers to trade and to deposit and withdraw funds. Of those customers, 9,758 (72 per cent.) had resumed trading, with 5,261 making additional funding deposits. Of the customers reviewed and unfrozen, 874 had cashed out all their funds (6 per cent.). In subjecting these customer accounts to the remedial AML procedures, only five accounts have had to be refused re-opening. At this point in time, the majority of Plus500UK customers’ balances have been unfrozen and that while there remained a number of customers with small, nil and/or dormant accounts still to request their accounts be unfrozen, those customers represented a diminishing proportion of Plus500UK’s client money balances. Further information relating to the potential

risks relating to regulation of the Plus500 Group is detailed in the Risk Factors set out in Part II of this document.

The Plus500 Group's network is protected by firewalls against unauthorised intrusions and to maximise reliability and security, the Plus500 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 Plus500 Group is responsible for the administration of the Trading Platform, the Plus500 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.

## **2.7 Financial Risk Limitation Policies**

The technology developed by the Plus500 Group incorporates real-time financial risk limitation systems with certain Plus500 Group hedging and trading limit triggers.

The Directors believe that there is also a high level of natural hedging arising from the differing trading positions taken across the Plus500 Group's international customer base.

### *Customer limits*

Monetary limits are placed on all customers. The limits placed on individual customers mitigate the risk that the Plus500 Group becomes reliant on any single customer or small group of customers for its revenue and also means the Plus500 Group has no significant exposure to the trading positions of any such customers. In the financial year ended 31 December 2014, no single customer contributed more than 0.5 per cent. of the Plus500 Group's total revenue.

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

### *Plus500 Group limits*

Monetary limits are also placed on the Plus500 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, commodities or indices), 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).

### *Hedging*

To further manage risk, the Plus500 Group has a hedging policy in place which seeks to mitigate exposure of the Plus500 Group as a whole beyond certain thresholds and maintain a balanced risk profile. If these thresholds are exceeded, an alert is automatically generated by the Trading Platform and the Plus500 Group will consider hedging against certain indices linked to the relevant underlying instrument(s) in order to mitigate exposure and reduce risk.

For example, when the Swiss National Bank recently unexpectedly removed the Swiss Franc to Euro ceiling, the Swiss Franc to Euro exchange rate volatility caused turmoil in the forex markets. Whilst a number of established CFDs trading brokers realised significant losses due to over-exposure to market movements, there was no material impact on the Plus500 Group's financial and trading position, with the Plus500 Group trading profitably throughout the impacted period.

Further information relating to the potential risks relating to the Plus500 Group's mitigation policies is detailed in the Risk Factors set out in Part II of this document.



### **3. Background to and reasons for the Transaction**

The Acquisition is in line with Playtech's stated strategy to acquire market leading businesses in regulated, high growth industries, with similar fundamentals to the Playtech Group's existing operations. The Board of Playtech reviews the most efficient, value enhancing means for deploying its capital on an ongoing basis. The Directors believe that the acquisition of Plus500 represents an attractive opportunity due to its brand, its position in the market and its existing customer relationships globally. Furthermore, the Directors believe that the Acquisition, if approved, represents a fair valuation for a leading CFD broker and platform provider.

The Transaction builds upon Playtech's recent acquisition of a 91.1 per cent. stake in TradeFX (the online CFDs and binary options broker and trading platform provider) and the proposed acquisition of Ava Trade (the online B2C CFD broker), and the Directors believe that there is strong potential for synergies through the combination of Plus500, TradeFX and Ava, as well as the opportunity to continue to grow through further consolidation in the industry.

### **4. Benefits of the Transaction**

The Directors believe that the Transaction will be immediately earnings enhancing to the Playtech Group following Completion and the combination of the Plus500 Group with the Group's recently acquired TradeFX business and the proposed acquisition of the Ava Group, will enable the combined business to maximise the market opportunity and product offering by utilising the strengths of both businesses.

The Transaction will expand the Group's international offering and the Group will also on Completion, following receipt of the necessary regulatory approvals, gain new regulatory licences as part of the Transaction.

The Directors believe that the Transaction represents a unique opportunity due to the Plus500 Group's market reach, advanced technology, product offering and existing customer relationships globally, which allows it to successfully attract and convert customers. The Playtech Group intends to provide the Plus500 Group with CRM capabilities and expertise to maximise customer life time value and improve its standalone financial performance. The Transaction will also include the acquisition of Plus500 Group's leading proprietary trading platform and automated risk management framework, which will enhance the Playtech Group's technological and financial capabilities.

The Plus500 Group assets will be acquired at a multiple of approximately five times 2014 EBITDA. The Directors believe this represents a significant value enhancing opportunity for the Playtech Group to acquire a dominant brand, with industry leading technology. Furthermore, the Directors expect that the Transaction will deliver operational efficiencies and cost savings, once the Plus500 Group's systems have been effectively integrated into the Playtech Group's existing offering.

The Founders, who are key members of Plus500 Group's management team have executed undertakings that they will remain with the business for a period of 12 months from completion of the Acquisition to secure a smooth transition and integration process.

### **5. Terms of the Transaction**

Under the terms of the Acquisition, Brighttech (a wholly owned subsidiary of Playtech), Socialdrive and Plus500 have entered into the Merger Agreement pursuant to the terms of which the Plus500 Shareholders will receive 400 pence per Plus500 Share in cash, which values the issued share capital of Plus500 at approximately £459.6 million (excluding any payment made in relation to any share appreciation rights outstanding at the time of completion, which would be paid out in cash at that time by Plus500 in accordance with the provisions of the Merger Agreement).

A summary of the Merger Agreement is set out in paragraph 5.1 of Part V of this document.

### **6. Funding of Transaction**

The acquisition of Plus500 will be funded from the Company's existing cash resources, which include the funds raised from its recent Placing raising gross proceeds of £227 million, and available debt facilities including a €200 million unsecured revolving credit facility which was recently entered into with Barclays Bank PLC and Royal Bank of Scotland plc.

## 7. Current trading and prospects

### *Playtech and TradeFX*

Playtech's core business continues to perform strongly with average daily run rate revenue for Q2 2015 up over 25 per cent. on Q2 2014.

From 1 January 2015 to 30 June 2015, TradeFX continued to benefit from the execution of its strategy, including the growth in popularity of the mobile application and the effectiveness of its approach to marketing, generating improved performance in its key business metrics of Active Customers and FTDs.

	Six months ended 30 June	
	2014	2015
Net revenue from trading (US\$ million)	30.8	47.5
Active customers – core business CFDs ('000)	26.7	35.9
FTDs – core business CFDs ('000)	16.0	22.2

Source: Unaudited management accounts, prepared on a consistent basis and under the same accounting policies as those adopted by Playtech in its latest annual consolidated accounts.

### *Plus500*

Recent events and associated publicity have meant that Plus500 has become the subject of increased scrutiny and has received further requests for information from its regulators in the jurisdictions in which it is licensed.

As announced on 18 May 2015, 22 May 2015, 27 May 2015, 1 June 2015 and 9 June 2015, the Plus500 Group reported that:

- On 30 October 2014, Plus500UK, a subsidiary of the Plus500 Group provided a Voluntary Requirement to the FCA whereby Plus500UK was prohibited from conducting all transactions for customers without appropriate AML documentation;
- On 9 January 2015, Plus500UK was required by the FCA to appoint a skilled person to conduct a review of its AML, financial sanction systems and other related regulatory controls;
- On 15 May 2015, following completion of the skilled person's review Plus500UK provided a further Voluntary Requirement to the FCA whereby it was required, amongst other things, to prohibit all transactions for existing customers until additional AML documentation had been provided and cease on-boarding any new clients until new AML procedures had been implemented;
- On 27 May 2015, Plus500 released an update on the remediation plan which included, amongst other things, a conservative estimate of the total short term cost implications of the plan which was estimated at \$2.0 million; and
- Plus500 has become the subject of increased scrutiny and has received additional requests for information from its regulators in the jurisdictions in which it is licensed.

Following on from the Plus500 Group's update on the Plus500UK's remediation plan on 9 June 2015, the Plus500 Group now considers it has substantially completed the plan.

As announced on 30 June 2015, as at close of business on 27 June 2015:

- 13,499 Plus500UK customers had been fully reviewed by its remediation team and unfrozen, thereby enabling those customers to trade and to deposit and withdraw funds. Of those customers, 9,758 (72 per cent.) had resumed trading, with 5,261 making additional funding deposits. Of the customers reviewed and unfrozen, 874 had cashed out all their funds (6 per cent.). In subjecting these customer accounts to the remedial AML procedures, only five accounts have had to be refused re-opening; and
- the majority of Plus500UK customers' balances have been unfrozen and that while there remained a number of customers with small, nil and/or dormant accounts still to request their accounts be unfrozen, those customers represented a diminishing proportion of Plus500UK's client money balances.

As announced on 9 July 2015, at close of business on 30 June 2015, the Plus500 Group had achieved revenues of \$44.9 million for the second quarter, following \$82.1 million in the first quarter, giving year to date revenues of \$127 million and year to date EBITDA of \$55.8 million.

After a record first quarter, revenues in the second quarter were lower than the same quarter last year due to a combination of quieter markets and the temporary suspension of trading activity in the Plus500UK business. Second quarter 2015 revenue was \$44.9 million compared to first quarter 2015 revenue of \$82.1 million for a total of \$127 million in H1 2015 (second quarter 2014 revenue was \$45.5 million compared to first quarter 2014 revenue of \$60.7 million for a total of \$106.2 million in H1 2014).

The Plus500's Group's net cash position as of 30 June 2015 stood at \$97.5 million. This excludes customer cash retained separately in segregated accounts. As further described in paragraph 5.1 of Part VI of this document, the Merger Agreement prohibits Plus500 from distributing dividends to its shareholders until the effective date of the Merger without the prior consent of Playtech.

All figures above relating to the Plus500 Group have been sourced from unaudited Plus500 Group management accounts, prepared on a consistent basis and under the same accounting policies as those adopted by Plus500 in its latest annual consolidated accounts and the Directors confirm that no material adjustment needs to be made to this financial information in order to achieve consistency with the accounting policies of the Playtech Group.

Further information relating to the potential risks relating to regulation of the Plus500 Group is detailed in the Risk Factors set out in Part II of this document.

## **8. Risk Factors**

Shareholders should consider fully and carefully the risk factors associated with the Transaction and the operations of the Enlarged Group and the industry in which the Enlarged Group operates. Your attention is drawn to the “**Risk Factors**” set out in Part II of this document.

## **9. General Meeting**

Completion of the Transaction is subject to, and conditional upon, *inter alia*, the approval of the Resolution by Shareholders at the General Meeting. Accordingly, set out at the end of this document there is a notice convening the General Meeting which is to be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man at 11.00 a.m. on 19 August 2015 at which the Resolution will be proposed.

## **10. Action to be taken**

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting, please complete and submit the Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrars, Computershare Investor Services (Isle of Man) Limited, c/o, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 11.00 a.m. on 17 August 2015. Alternatively, you may register your proxy appointment and instructions electronically by logging on to [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy).

Shareholders who hold their Ordinary Shares through CREST and who wish to appoint a proxy or proxies for the General Meeting by using the CREST electronic proxy appointment service may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf.

The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

## **11. Further Information**

Shareholders should read the information contained in Parts II to VI of this document. In particular, your attention is drawn to Part II of this document which contains a summary of the material risks attaching to the Transaction and the Plus500 Group.

## **12. Recommendation**

**Your Directors consider the Transaction to be in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Resolution at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings, which in aggregate equal 68,500 Ordinary Shares, representing approximately 0.02 per cent. of the issued share capital of the Company as at 30 July 2015, being the latest practicable date prior to publication of this document.**

In addition, Brickington Trading Limited, being the largest Playtech Shareholder, has undertaken to vote in favour of the Transaction in respect of its own beneficial holding of 108,408,441 shares in Playtech representing approximately 33.6 per cent. of the issued share capital of the Company as at 30 July 2015, being the latest practicable date prior to publication of this document.

Yours faithfully,

**Alan Jackson**

*Chairman*

## PART II

### RISK FACTORS

Prior to voting on the Resolution at the General Meeting, you should carefully consider, together with all other information contained in this Circular, the specific risks and uncertainties described below.

The Directors consider the following to be the material risk factors relating to the Transaction and to which the Playtech Group, the Plus500 Group and, following Completion, the Enlarged Group will be exposed as a result of the Transaction. However, these should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they currently deem immaterial, may also have an adverse effect on the Enlarged Group's operating results, financial condition and prospects if they materialise. The information given is as at the date of this Circular and, except as required by the FCA, the London Stock Exchange, the Listing Rules or the Disclosure and Transparency Rules (and/or any regulatory requirements) or applicable law, will not be updated.

If any or a combination of the following risks and uncertainties actually materialise, the Enlarged Group's business, financial condition and results of operations could be materially and adversely affected. In such case, the price of the Ordinary Shares could decline and Shareholders may lose some or all of their investment.

#### **1. Risk Factors Relating to the Transaction**

##### ***The Transaction does not proceed***

The Transaction is subject to the satisfaction of a number of conditions, including, amongst others, the approval of the Transaction by Shareholders at the General Meeting. Further details in relation to these conditions are set out in paragraph 6.1 of Part IV (Summary of the Merger Agreement) of this Circular. There can be no assurance that these conditions will be satisfied. If these conditions are not satisfied, the Transaction will not take effect and the Playtech Group will not realise the anticipated benefits of the Transaction.

##### ***The Playtech Group's acquisition costs may be greater than anticipated***

The Playtech Group expects to incur legal, accounting, financial adviser and transaction fees and other costs relating to the Transaction, some of which are payable whether or not the Transaction reaches Completion. Although the Directors believe that the transaction costs will be more than offset by the realisation of the benefits resulting from the Transaction, this net benefit may not be achieved in the short-term or at all, particularly if the Transaction is delayed or does not complete. These factors could materially adversely affect the business, financial conditions, results of operations and prospects of the Playtech Group and, following Completion, the Enlarged Group.

##### ***The Enlarged Group may not realise, or it may take the Enlarged Group longer to realise, the expected benefits of the Transaction***

The Enlarged Group may fail to achieve certain or all of the anticipated benefits that the Playtech Group expects to realise as a result of the Transaction, or it may take longer than expected to realise those benefits. If the anticipated benefits are not achieved, or take longer than expected to be realised, this could have a material adverse impact on the Enlarged Group's businesses, financial conditions and results of operations.

##### ***The Plus500 Group may not perform in line with expectations in the period prior to Completion***

The anticipated benefits and synergies of the Transaction are based on assumptions regarding, amongst other things, the financial and operational performance of the Plus500 Group, including in the period prior to Completion, when the financial and operational performance of the Plus500 Group is outside the control of the Company. Until Completion, it is possible that an adverse event, or events, could affect the Plus500 Group which would not give rise to a right of Brighttech to terminate the Transaction. In such an event, the value of the Plus500 Group may be less than the consideration paid by Brighttech and, accordingly, the net assets of the Enlarged Group could be reduced. This could have an adverse effect on the operating results, business, financial condition and prospects of the Enlarged Group.

The period prior to Completion may create uncertainty about the Plus500 Group's future. The Plus500 Group is subject to a number of risks that may harm its business, revenue and results of operations. The



diversion of management and employee attention may detract from the Plus500 Group's ability to grow revenues and it may be unable to respond effectively to competitive pressures, industry developments and future opportunities. As noted above, Plus500UK remains in dialogue with the FCA regarding its AML and financial sanction systems and other related regulatory controls and the Plus500 Group has become the subject of increased scrutiny and has received additional requests for information from its regulators in the jurisdictions in which it is licensed. There can be no guarantee of a positive outcome to any of these discussions and a number of sanctions are available to the regulators of the Plus500 Group which, as referenced below, might lead to the withdrawal or amendment of its regulatory authorisations and which may have a significant adverse effect on the Plus500 Group's business and operations.

***Prior to Completion, the Plus500 Group, and following Completion, the Enlarged Group, may fail to retain staff***

The calibre and performance of the Enlarged Group's management and other employees, taken together, is important to the success of the Plus500 Group prior to Completion, and to the Enlarged Group following Completion and, while plans are, or will be put, in place for the retention of the Plus500 Group's senior management team following Completion, there can be no assurance that prior to Completion, the Plus500 Group will not lose personnel (including members of the senior management team), or that the Transaction will not result in the departure of personnel from the Enlarged Group. The Plus500 Group's current and prospective personnel may be uncertain about their future roles and relationships with the Plus500 Group following Completion and this uncertainty may adversely affect Plus500's ability to attract and retain key personnel. The departure of a significant number of staff could adversely affect the Company's ability to realise the benefits of the Transaction. Such departures could also adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses, which could have an adverse effect on the operating results, business, financial condition and prospects of the Enlarged Group.

**2. Other Risks and Uncertainties**

This section documents those risks and uncertainties currently faced by the Group and following the proposed Transaction, the Enlarged Group, which are potentially impacted by the proposed Transaction.

***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 Plus500 Group derives the majority of its revenue and/or in which members of the Group are based can be found in Part I of this document.

The Plus500 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 Plus500 Group not having a physical presence in such jurisdictions). Furthermore, the Playtech Group already holds regulatory authorisation from the FCA.

Additionally, the Plus500 Group's subsidiary, Plus500AU, has obtained regulatory authorisation from ASIC to provide certain financial services in Australia, whilst the Playtech Group does not currently hold regulatory authorisation to operate within Australia. The Plus500 Group, through Plus500CY has also obtained regulatory authorisation from CySEC to provide financial services and market making services in Cyprus. It is important to note that the Playtech Group's subsidiary TradeFX Group also already holds authorisation to operate in Cyprus, but it does not currently have a licence to offer market making services.

Withdrawal or amendment of regulatory authorisations in respect of all or part of the business carried on by the Plus500 Group, or in respect of the fitness and propriety of one or more individuals to perform their current roles might oblige the Plus500 Group to cease conducting a particular type of business or modify the manner in which it is conducted. In addition, where authorisation of a particular individual was 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 Plus500 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 Plus500 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 Playtech 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 Playtech Group's business, financial condition and operating results and/or subject the Playtech Group or its Directors or customers to additional taxation or civil, criminal, regulatory or other action.

As with the Enlarged Group's existing gambling businesses, the regulatory environment continues to develop at a national and international level. The financial services industry generally, and the activities of CFD business in particular have been the subject of increasing regulatory scrutiny. The regulatory environment in any territory may be different for gambling and CFD businesses and any inconsistency may give rise to conflict issues.

***The CFD market is relatively new to the Playtech Group***

The Playtech Group's business has historically been, and remains, predominantly focused on providing software and services to the gambling industry. The Playtech Group entered the financials market through its acquisition of TradeFX in May 2015, and has entered into arrangements to acquire the Ava Group and the Plus500 Group which are yet to complete. As such, the financials market still represents a relatively new vertical for the Playtech Group. Although the Plus500 Group shares certain features with the TradeFX Group, such as its reliance on custom software technology, sophisticated digital marketing capabilities and operating in regulated markets, the customer base, trading and wider business risks and regulatory obligations of the Plus500 Group differ substantially from those of the TradeFX Group given the divergence in where the different businesses are regulated and the jurisdictions from which customers are derived. If the Playtech Group is not able to adapt to the different business challenges posed in running and growing business in a market which is relatively new to it, such failure could have a material adverse effect on the Enlarged Group's business, operations, reputation, future growth and expansion.

***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***

In the same way as the TradeFX Group is required to meet certain capital adequacy tests, as applicable, and is required to maintain adequate regulatory capital, the Plus500 Group is also subject to similar requirements. Following Completion, failure to meet these increased requirements could lead to enforcement action being taken against the Enlarged Group. The minimum capital requirements to which the Enlarged Group is subject may affect its ability to distribute profits which it would otherwise be permitted to distribute. In addition, any changes to the regulatory capital requirements could restrict the pace of the Enlarged Group's expansion or affect the balance of the products the Enlarged Group is able to offer and/or the jurisdictions in which it is allowed to offer them.

***The growth of the Plus500 Group depends on maintaining, developing and enhancing its brand***

As the CFD trading markets become increasingly competitive, the success of the Plus500 Group will depend on the maintenance, development and enhancement of its brand. If the Plus500 Group is unable to maintain, develop and enhance its brand, its ability to implement its strategic goals may be adversely affected. As a result, the operating results of the Plus500 Group and, following Completion, the Enlarged Group, would be adversely affected. In addition, increased competition may require more management time and resource and greater levels of expenditure to maintain, develop and enhance the Plus500 brand, which may have, following Completion, a material adverse effect on the Enlarged Group's operations, financial performance and prospects.

***The Plus500 Group is dependent on affiliates to generate new business***

Affiliates help generate customers for the Plus500 Group's online trading platforms, especially in geographic regions in which the Plus500 Group does not have a strong domestic presence. Failure of the Plus500 Group to maintain its current relationships or develop new relationships with affiliates could have a material adverse effect on the overall customer base of the Plus500 Group and, following Completion, of the Enlarged Group. To the extent any of the Plus500 Group's competitors offer more attractive compensation terms, better marketing or other services to one or more of the Plus500 Group's affiliates, the Plus500 Group could lose its relationship with such persons or be required to increase the compensation levels or trade revenue percentage shares that the Plus500 Group currently provides in exchange for customer referrals. In addition, the Plus500 Group could potentially agree to set the

compensation for one or more affiliates at a level where, based on the transaction volume generated by customers directed to the Plus500 Group by such persons, it would have been more economically attractive to seek to acquire the customers directly. To the extent the Plus500 Group does not enter into economically attractive relationships with affiliates, current affiliates terminate their relationship with the Plus500 Group (whether before or following Completion) or fail to generate adequate customers or customer activity levels, then the Plus500 Group's (and therefore the Enlarged Group's) business, financial condition and results of operations and cash flows could be materially adversely affected.

***The activities of the Group's affiliates could give rise to legal and regulatory risks***

The Plus500 Group has an extensive affiliate network with active affiliates based in numerous different jurisdictions who have generated business leads for the Plus500 Group to date.

If local laws or regulations are applied to prevent such affiliates from continuing to conduct business in any given territory, this could have a material adverse effect on the business of the Plus500 Group. Alternatively, legislation may be passed that seeks to regulate and/or restrict such business activity which could render such affiliate networks less efficient or less effective. The Plus500 Group's financial position, and therefore the Group's financial position following Completion, may be adversely affected in such circumstances.

As part of the affiliate registration process, the Plus500 Group carries out anti-money laundering checks and vet prospective affiliates joining the programme. In addition, once an affiliate has signed up to the programme, the Plus500 Group has procedures in place designed to monitor their activities. However, by their nature, affiliate networks operate in such a way that it can be a challenge to monitor their day-to-day activities. Whilst the Plus500 Group seeks to impose terms and conditions on its affiliates, the Plus500 Group cannot guarantee that the affiliates will comply at all times with the Plus500 Group's relevant policies and procedures and/or with applicable laws and regulation. Where such activity does occur, the Plus500 Group has the ability to terminate such relationships but, in the interim, this could expose the Plus500 Group to risks associated with the activities of affiliates who advertise the Plus500 brand (including in connection with bribery and corruption), which in turn could have a material adverse effect on the Plus500 Group's reputation, business, financial condition and operating results and, following Completion, of the Enlarged Group.

***The Enlarged Group may suffer losses if its reputation is harmed***

The ability of the Plus500 Group (and, following Completion, the Enlarged Group) 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 any member of the Enlarged Group or any of their 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 Enlarged Group's business and the activities of Enlarged Group's affiliates. In addition, and as noted above, the Plus500 Group has recently become the subject of increased regulatory scrutiny and investigation. Regardless of whether the Plus500 Group will face any sanctions in connection with these discussions, there is no guarantee that the fact these discussions are taking place will not materially adversely affect the reputation of the Plus500 Group and, following Completion, the Enlarged Group which may have a significant adverse effect on the business and operations of the Plus500 Group and, following Completion, the Enlarged Group.

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

The design and implementation of the Plus500 Group's policies, procedures and practices used to identify, monitor and control a variety of risks may fail to be effective. The Plus500 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 which in turn could have a material adverse effect on the Enlarged Group's reputation, business, financial condition and operating results.

### **PART III**

#### **HISTORICAL FINANCIAL INFORMATION RELATING TO THE PLUS500 GROUP**

The following financial information table is extracted without adjustment from the annual report and audited financial statements on the Plus500 Group for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014.

The Directors confirm that no material adjustment needs to be made to this financial information in order to achieve consistency with the accounting policies of the Playtech Group.

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December				
	Note	2012 \$'000	2013 \$'000	2014 \$'000
Revenue		56,127	115,088	228,865
Selling and marketing expenses	4	(28,930)	(44,322)	(75,170)
Administrative and general expenses	5	(4,124)	(3,563)	(8,373)
Operating profit		23,073	67,203	145,322
Financial income		178	1,335	178
Financial expense		(178)	(1,373)	(7,381)
Profit before taxation		23,073	67,165	138,119
Tax	7	(5,973)	(16,532)	(35,667)
Profit and comprehensive income for the year		17,100	50,633	102,452
<b>Earnings per share for profit attributable to the owners of the parent during the year</b>				
Basic and diluted (cents)	8	17	47	89



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares \$'000	Share premium \$'000	Retained earnings \$'000	Total attributable to equity holders of the parent \$'000
<b>Balance at 1 January 2012</b>	6	287	9,129	9,422
Total comprehensive income for the year	—	—	17,100	17,100
Dividends paid	—	—	(14,575)	(14,575)
<b>Balance at 31 December 2012</b>	6	287	11,654	11,947
Total comprehensive income for the year	—	—	50,633	50,633
Dividends paid	—	—	(16,810)	(16,810)
Shares issued (net of issuance costs)	40	22,204	—	22,244
Bonus shares issued	271	(271)	—	—
<b>Balance at 31 December 2013</b>	317	22,220	45,477	68,014
Total comprehensive income for the year	—	—	102,452	102,452
Dividends paid	—	—	(60,006)	(60,006)
<b>Balance at 31 December 2014</b>	317	22,220	87,923	110,460

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December		
	Note	2012 \$'000	2013 \$'000	2014 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	10	240	244	1,557
Intangible assets	11	41	47	57
Deferred income taxes	7	265	1,063	495
		<u>546</u>	<u>1,354</u>	<u>2,109</u>
<b>Current assets</b>				
Trade and other receivables	13	894	3,239	3,927
Restricted deposit	14	203	215	69
Short-term bank deposit	14	1,126	1,177	1,037
Cash and cash equivalents	14	22,486	84,108	139,164
		<u>24,709</u>	<u>88,739</u>	<u>144,197</u>
<b>Total assets</b>		<u>25,255</u>	<u>90,093</u>	<u>146,306</u>
<b>Equity</b>				
Ordinary shares	15	6	317	317
Share premium		287	22,220	22,220
Retained earnings		11,654	45,477	87,923
<b>Total equity attributable to holders of the parent</b>		<u>11,947</u>	<u>68,014</u>	<u>110,460</u>
<b>Non-current liabilities</b>				
Share-based compensation	6	–	–	169
<b>Current liabilities</b>				
Trade payables – due to clients	16	6,092	5,532	5,885
Other accounts payable and accruals				
Service supplies	17	3,197	6,840	7,831
Other	17	822	1,134	2,382
Income tax payable	7	2,443	8,573	19,579
Share-based compensation	6	251	–	–
		<u>12,805</u>	<u>22,079</u>	<u>35,677</u>
<b>Total equity and liabilities</b>		<u>25,255</u>	<u>90,093</u>	<u>146,306</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year	17,100	50,633	102,452
Adjustments for:			
Depreciation and amortisation	95	82	120
Loss on disposal of property, plant and equipment	14	—	—
Taxes on income	5,973	16,532	35,667
Interest and foreign exchange (gains)/losses on operating activities	(168)	(590)	621
(Gains)/losses on revaluation of deposits	(28)	(63)	148
<b>Cash flows provided by operations before working capital changes</b>	5,886	15,961	36,556
Increase/(decrease) in other accounts receivable	1,125	(2,345)	(688)
(Decrease)/increase in trade payable due to clients	(1,487)	(560)	353
(Decrease)/increase in other accounts payable			
Service supplies	(159)	3,643	991
Other	438	312	1,248
Share-based compensation	139	(754)	169
<b>Cash flows provided by operations</b>	23,042	66,890	141,081
Tax paid	(3,355)	(9,894)	(22,407)
Interest received	174	101	178
<b>Net cash flows provided by operating activities</b>	19,861	57,097	118,852
<b>Cash flows from investing activities</b>			
Deposit withdrawals	—	—	138
Payment for acquisition of property, plant and equipment	(176)	(75)	(1,419)
Proceeds from sale of property, plant and equipment	8	—	—
Payment for acquisition of intangible assets	(10)	(17)	(24)
<b>Net cash flows used in investing activities</b>	(178)	(92)	(1,305)
<b>Cash flows from financing activities</b>			
Proceeds from share issuance, net of \$4.6 million issuance costs	—	21,074	—
Dividends paid to the holders of the parent	(14,575)	(16,810)	(60,006)
<b>Net cash (used)/provided by in financing activities</b>	(14,575)	4,264	(60,006)
Increase in cash and cash equivalents	5,108	61,269	57,541
Cash and cash equivalents at beginning of the year	17,293	22,486	84,108
Gains/(losses) from exchange differences on cash and cash equivalents	85	353	(2,485)
<b>Cash and cash equivalents at end of the year</b>	22,486	84,108	139,164

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation

The financial information provided is for the Plus500 Group's three financial years ended 31 December 2012, 2013 and 2014.

The financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB).

#### **New International Financial Reporting Standards, Amendments to Standards and New Interpretations**

##### ***New and amended standards adopted by the Plus500 Group for the first time for financial years beginning on or after 1 January 2014***

###### *IAS 32 – “Financial instruments: presentation”*

IAS 32, “financial instruments: presentation” on offsetting financial assets and liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment did not have a material effect on the accounting policies of the Plus500 Group.

##### ***New and amended standards not yet adopted by the Plus500 Group for reporting periods starting on or after 1 January 2014***

###### *IFRS 9 – “Financial Instruments”*

IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014 and replaces the guidance of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 retains, but simplifies, the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Plus500 Group estimates that there will be no impact in the application of IFRS 9.

### 2. Significant accounting policies

#### ***Basis of consolidation***

Plus500 controls its subsidiaries since it is exposed to, or has rights to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over them:

- The consolidated financial information includes the accounts of Plus500 and its wholly-owned Subsidiaries.
- Intercompany balances and transactions between the Plus500 Group's entities have been eliminated
- Accounting policies of Plus500's subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Plus500 Group.

#### ***Segmental 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.

Plus500 and its subsidiaries are engaged in one operating segment, CFD trading.

### ***Foreign currency***

#### ***(i) Functional and presentational currency***

Items included in the financial information of each of the Plus500 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 is presented in United States dollars ("USD"), which is the Plus500 Group's functional and presentation currency.

#### ***(ii) 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)".

### ***Property, Plant and Equipment***

The cost of a property, plant and equipment item is recognised as an asset only if: (a) it is probable that the future economic benefits associated with the item will flow to the Plus500 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 items and only when the two aforementioned criteria for recognition as assets are met.

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

Leasehold improvements	20%
Computers and office equipment	10% to 33%

Leasehold improvements are amortised 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.

### ***Intangible assets – computer software***

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

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

### ***Financial instruments***

#### ***(i) Classification***

The Plus500 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. Management determines the classification of its financial assets at initial recognition.

#### ***Financial instruments at fair value through profit or loss***

This category includes two sub-categories: financial assets and financial liabilities held for trading and financial assets as at fair value through profit or loss. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term, or if designated by management in this category. Derivatives are also categorised 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 Plus500 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", in the statements of "Financial position".

#### *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 Plus500 Group's loans and receivables comprise "Cash and cash equivalents", "Short-term bank deposit", "Restricted deposit" and "Accounts receivable" and "Long-term deposit" in the statements of financial position.

#### (ii) *Recognition and measurement*

Investments are initially recognised 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 recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Plus500 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 amortised 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 "Revenue" in the period in which they arise.

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

#### (iii) *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 recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### (iv) *Impairment of financial assets*

Financial assets carried at amortized cost.

The Plus500 Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

#### *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 UK, AU and CY subsidiaries hold money on behalf of clients in accordance with the client money rules of the UK Financial Conduct Authority ("FCA"), Australian Securities and Investments Commission ("ASIC") and Cyprus Securities and Exchange Commission ("CYSEC"), respectively. Such monies are

classified as “segregated client funds” in accordance with the regulatory requirements. Segregated client funds comprise retail client funds held in segregated client money accounts.

Segregated client money accounts hold statutory trust status restricting the Plus500 Group’s ability to control the monies and accordingly such amounts are not reflected as Plus500’s assets in the consolidated statements of financial position.

### ***Share capital***

Ordinary shares of Plus500 are classified as equity.

All share and per share amounts included in the consolidated financial statements have been adjusted retroactively to reflect the effects of the issuance of bonus shares.

### ***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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### ***Trade payables – due to clients***

As part of its business, the Plus500 Group receives from its customers, deposits to secure their trading positions.

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

Trade payables due to clients represent balances with counterparties and clients where the combination of cash held on account (customer deposits) and the valuation of financial derivative open positions result in an amount payable by the Plus500 Group.

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

### ***Share-based payment***

The Plus500 Group operates a cash-settled share-based payment plan, under which it receives services from employees as consideration for rights. The fair value of the employee services received in exchange for the grant of the rights are recognised as an expense in profit or loss. The total amount to be expensed are determined by reference to the fair value of the rights granted.

### ***Employee benefits and pension obligations***

Plus500 Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered pension funds.

The Plus500 Group has defined contribution plans. A defined contribution plan is a pension plan under which the Plus500 Group pays fixed contributions into a separate entity. The Plus500 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 Plus500 Group pays contributions to publicly or privately administered pension insurance plans on a mandatory basis. The Plus500 Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense commensurate with receipt from employees of the service in respect of which they are entitled for the contributions.

### ***Revenue recognition***

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Plus500 Group and the revenue can be reliably measured.

Trading income represents gains (including commission) and losses arising on client trading activity, primarily in contracts for difference on shares, indexes, commodities and foreign exchange. Open client

positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue as well as gains and losses realised on positions that have closed.

Trading income is reported gross of commissions to agents as the Plus500 Group is acting as a principal and is exposed to the significant risks and rewards associated with its trading transactions with its customers. The said commissions are included in “selling and marketing” expenses.

#### ***Dividends***

Dividend distribution is recognised as a liability in the Plus500 Group’s statement of financial position on the date on which the dividends are approved by the Plus500 Group’s Board of Directors.

#### ***Current income tax***

Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised 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 Plus500 and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### ***Deferred income tax***

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

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

The Plus500 Group recognises deferred taxes on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Plus500 Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the deferred income tax is also recognised directly in equity, respectively.

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

#### ***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.

### **3. Financial risk management**

The Plus500 Group specialises in the field of Contracts for Differences (“CFD”) for retail clients only, primarily on Commodities, Indexes, Stocks, ETFs and Foreign Exchange. The Plus500 Group activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Plus500 Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Plus500 Group financial performance.

#### ***Market risk***

Management deems this risk as the highest risk the Plus500 Group incurs.

Market risk is the risk that changes in market prices will affect the Plus500 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 Plus500 Group's market risk is managed on a group-wide basis and exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. The Plus500 Group utilises market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. As a result, not all net client exposures are hedged and the Plus500 Group may have a substantial net position in any of the financial market in which it offers products.

The Plus500 Group's market risk policy incorporates a methodology for setting market position limits, consistent with the Plus500 Group risk appetite, for each financial instrument in which the Plus500 Group clients can trade, as well as certain markets which the CEO considers to be correlated. These limits are determined based on the Plus500 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 Plus500 Group will hold without hedging the net client exposure.

The Plus500 Group's real-time market position monitoring system is intended to allow it to continually monitor its market exposure against these limits. If exposures exceed these limits, the Plus500 Group either hedges, or new client positions are rejected under the Plus500 Group's policy.

It is the approach of the Plus500 Group to observe during the year the "natural" hedge arising from the Plus500 Group's global clients in order to reduce the Plus500 Group's net market exposure.

Under the Plus500 Group's policy, if it is not cost effective to hedge market positions, the Plus500 Group will review the appropriate action.

The Plus500 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 Plus500 Group over the year. The Plus500 Group's exposure to market risk is determined by the exposure limits described above which change from time to time.

(i) *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 Plus500 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*

	For the year ended 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Highest profit	1,035	3,691	4,379
Highest loss	(173)	(289)	(608)
Average	150	318	628

During the years ended 31 December 2012, 2013 and 2014, as to the closed positions, there were 278, 297 and 349 profitable trading days respectively. Plus500 is of the opinion that its exposure to market risk is managed among others by capping the exposure of each instrument through risk limitation protocols.

(ii) *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 Plus500 Group exposure to foreign currency risk is not considered by the board of directors to be significant. The Plus500 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, 2013 and 2014, if the US dollar had strengthened by 1 per cent. against Pound sterling or Euro with all other variables unchanged the exposure in respect of balances denominated in Pound sterling and Euro on profit after tax would be:

	For the year ended 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Pound Sterling	89	401	65
Euro	61	179	233

(iii) *Credit risk*

The Plus500 Group operates a real-time mark-to-market trading platform with clients' profits and losses being credited and debited automatically to their accounts. Under the Plus500 Group's policy the clients cannot owe the Plus500 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 Plus500 Group's products are margin-traded. If the market moves adversely by more than the client's maintenance margin, the Plus500 Group is exposed to client credit risk. Plus500 sets principles in order to monitor and manage the credit risk on a real time basis. Under the Plus500 Group's policy, if client funds are below the required margin level, client positions will be liquidated (margin call).

The carrying amount of the Plus500 Group's financial assets best represents their maximum exposure to credit risk.

The Plus500 Group has no material financial assets that are past due or impaired as at the reporting dates.

For the years ended 31 December 2012, 2013 and 2014, Counterparties holding about 89 per cent., 91 per cent. and 93 per cent. (respectively) of Plus500 cash and cash equivalents, credit cards and deposits are Barclays, Bank Leumi, First International Bank of Israel and Credit Suisse. The credit ratings as at 31 December were as follows:

	As at 31 December		
	2012 Rating	2013 Rating	2014 Rating
Barclays	A+	A	A
Credit Suisse	A+	A	A
Bank Leumi	BBB	BBB	A
First International Bank of Israel	BB	BB	BB

As for the remaining counterparties which, for the years ended 31 December 2012, 2013 and 2014 holds about 11 per cent., 9 per cent. and 7 per cent. (respectively) of Plus500 cash and cash equivalents, they are located worldwide and are considered to be leading institution in each country.

The Plus500 Group's largest credit exposure to any single bank as at 31 December 2012, 2013 and 2014 was \$13.9 million, \$42.4 million and \$64.5 million respectively.

(iv) *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 Plus500 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.

Revenue from external customers in the years ended 31 December 2012, 2013 and 2014 in the United Kingdom was 10 per cent., 15 per cent. and 16 per cent. respectively. As at 31 December 2012, 2013 and 2014 derivative open positions in United Kingdom amount to 8 per cent., 14 per cent. and 17 per cent. of the total derivative open positions.



(v) *Liquidity risk*

Liquidity risk is the risk that the Plus500 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 Plus500 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 Plus500 Group approach is to insure that there will be no material liquidity mismatches with regard to liquidity maturity profiles due to the very short-term nature of its financial assets and liabilities. Liquidity risk can, however, arise as a result of the Plus500 Group adopting what it considers to be best industry practice in placing some retail client funds in segregated client money accounts. A result of this policy is that short-term liquidity "gaps" can potentially arise in periods of very high client activity or significant increases in global financial market levels.

The contractual maturity of the financial liabilities is up to two months.

(vi) *Capital management*

The UK Subsidiary is regulated by the UK's Financial Conduct Authority ("FCA"). The UK Subsidiary manages its capital resources on the basis of regulatory capital requirements (hereafter "Pillar 1") and its own assessment of capital required to support all material risks throughout the business (hereafter "Pillar 2"). The UK Subsidiary manages its regulatory capital through an Internal Capital Adequacy Assessment Process ("ICAAP") in accordance with guidelines and rules implemented by the FCA.

Both Pillar 1 and the Pillar 2 assessment are compared with total available regulatory capital on a daily basis and monitored by the management of Plus500. As at 31 December 2012, 2013 and 2014, the UK regulated entity had £2.41 million, £7.95 million and £14.68 million respectively of regulatory capital resources, which is in excess of both its regulatory capital requirement (Pillar 1) and the internally measured capital requirement (Pillar 2).

(vii) *Fair value estimation*

Financial derivative open positions (offset from deposits from clients within "Trade payable due from clients") (see note 16) are measured at fair value through profit or loss using valuation techniques. The said valuation techniques are based on inputs other than quoted prices in active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2 ).

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

Specific valuation techniques used to value financial instruments are based on using quoted market prices or dealer quotes for similar instruments, with regard to the difference between dealer quotes and the quoted marker price.

(viii) *Financial derivative open positions*

Plus500's contracts with its customers are financial instruments. For disclosure about offsetting financial assets and liabilities from open positions see note 16.

#### 4. Selling and marketing expenses

	For the year ended 31 December		
	2012	2013	2014
	\$'000	\$'000	\$'000
Payroll and related expenses	2,094	3,078	4,009
Commission to agents	2,040	3,401	4,275
Advertising	21,230	32,508	57,041
Commissions to processing companies	2,406	3,865	7,492
Server and data feeds commission	1,094	1,400	2,212
Sundry	66	70	141
	<u>28,930</u>	<u>44,322</u>	<u>75,170</u>

## 5. General and administrative expenses

	For the year ended 31 December		
	2012	2013	2014
	\$'000	\$'000	\$'000
Payroll and related expenses	741	1,180	2,290
Professional fees and regulatory fees	944	1,367	3,173
Share-based compensation	139	52	169
Office expenses	682	877	1,458
Public relations and trading expenses	–	72	715
Issuance expenses	1,060	–	–
Sundry	558	15	568
	<u>4,124</u>	<u>3,563</u>	<u>8,373</u>

## 6. Employee benefits

### *Share based compensation*

On 24 December 2009, Plus500 entered into an agreement with the former CEO of the UK Subsidiary (the “UK CEO”) giving him 2.5 per cent. of the shares of the UK subsidiary for his continued service to that company (until July 2013). The agreement stated that Plus500 had a first right of refusal in case the UK 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 granted Plus500 a call option to purchase at any time the entire shares granted to the UK CEO for a total of NIS 3 million (\$804,000). Furthermore, the UK 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 Plus500 half of the shares for NIS 1 million (\$268,000). Plus500 paid to the UK CEO of Plus500UK the amount of the liability during the year ended 31 December 2013 of \$805,000 and purchased all of his shares in the UK subsidiary. As at 31 December 2013, no liability for share-based payment existed. In the year ended 31 December 2013 Plus500 recognised expenses of \$52,000 within general and administrative expenses with respect of the said transaction.

On 14 January 2014 the board of directors approved a “Share Appreciation Rights” plan (hereafter “the Plan”) to the Plus500 Group’s employees. Under the Plan, Plus500 granted 1,382 rights to 14 employees on three different occasions. The base price of grants as of the dates of grant was calculated on the basis of the average closing price of the ordinary shares of Plus500 on AIM over the course of the 60 trading days immediately preceding the dates of grant. The rights will be settled in cash two years after the date of grant; the amount paid to the employees in cash will be determined based on the appreciation of Plus500’s share price as at the end of the two-year period. The cash payment shall be calculated on the basis of the average closing price of the ordinary shares of Plus500 on AIM over the course of the 60 trading days immediately preceding the pay-out date.

The fair value of the rights at the grant date is \$465,000; the fair value was estimated using the Black and Scholes option pricing model. The Group implemented IFRS 2 “Share-Based Payments” to this Plan. The following table specifies the dates of grants and the amounts granted as of each date:

Granted day	Expiry date	Base price (GBP)	Granted rights
14 January 2014	14 January 2016	260.19	1,149
16 July 2014	16 July 2016	524.3	33
19 December 2014	19 December 2016	499.8	200

As at 31 December 2014 the Plus500 Group recognised a liability at fair value of \$169,000. During the year ended 31 December 2014, the Plus500 Group recognised expenses in the said amount within general and administrative expenses with respect of the said plan.

## 7. Taxation

### *Corporate taxation in Israel*

Under the “Tax Burden Distribution Law”, corporate tax rate is 25 per cent. as from 2012.

On 5 August 2013, the Law for Change of National Priorities, 2013 (hereinafter the “Law”) was published in Reshumot (the Israeli government official gazette), enacting, raising the corporate tax rate beginning in 2014 and thereafter to 26.5 per cent. (instead of 25 per cent.).

The application of this law did not have a material effect on the Plus500 Group’s income tax expenses.

### **Corporate taxation in subsidiaries**

The UK subsidiary is assessed for tax under the tax laws in UK. The principal tax rates applicable to the subsidiary incorporated in the UK is as follows:

- 2012: 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.)
- 2013: 23 per cent. (January–March 2013: tax rate of 24 per cent., April 2013 through December 2013: tax rate of 23 per cent.)
- 2014: 21.5 per cent. (January–March 2014: tax rate of 23 per cent., April 2014 through December 2014: tax rate of 21 per cent.)

Other subsidiaries in the Plus500 Group do not have significant taxable income and the overall effect of the income of those subsidiaries on the Plus500 Group's tax expenses is immaterial.

### **Deferred tax asset**

The deferred tax asset at 31 December 2013 and 2014 amounted to \$1.06 million and \$495,000, respectively, and is presented among “non-current assets”, and computed at tax rate of 26.5 per cent.

The significant portion of the said deferred tax assets is a tax asset for issuance expenses incurred as a result of its IPO, which was credited to equity, in amount of \$1.0 million and \$447,000 for the years ended 31 December 2013 and 2014 respectively.

	For the year ended 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
<b>Current taxes</b>			
Income tax in respect of current year's profits	6,238	16,101	35,099
<b>Deferred taxes</b>			
Reversal of deferred taxes	(265)	431	568
	<u>5,973</u>	<u>16,532</u>	<u>35,667</u>

The following is a reconciliation of the theoretical tax charge, assuming all income is taxed at the regular rates applicable to companies in Israel and the actual tax charge:

	For the year ended 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Profit before tax	23,073	67,165	138,119
Theoretical tax charge at 25%, 25% and 26.5%	5,768	16,791	36,602
Decrease in taxes resulting from different tax rates applicable to foreign subsidiaries	(56)	(223)	(817)
Tax effect of items which are not deductible or assessable for tax purposes	261	(36)	(118)
Total tax charge	<u>5,973</u>	<u>16,532</u>	<u>35,667</u>

### **Effect of adoption of IFRS in Israel on tax liability**

The Plus500 Group prepares its financial statements in accordance with IFRS.

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

In accordance with the law for the amendment of the Income Tax Ordinance which was published in the official gazette in the years 2010, 2012 and 2014 (hereinafter together – the temporary provision), the provisions of Israel Accounting Standard No. 29 of the Israel Accounting Standards Board do not apply in determining taxable income for tax years 2007 to 2013, even if applicable in financial statements for those tax years. The meaning of the temporary provision is that IFRS do not apply in practice when calculating the reported income for tax purposes in the specified tax years.

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

As the legislation process relating to the law memorandum has not been completed, management believes that the temporary provision for 2007 to 2013 may be extended to cover 2014 as well. Due to the application of temporary provision on the 2007-2013 tax years, as above, and the possibility for extension to 2014, management expects at this stage that the new legislation will not apply to tax years preceding 2015.

Considering that the temporary provision applies to the 2007-2013 tax years and company assessment on the likelihood for extension to cover 2014, as above, Plus500 computed its taxable income for 2009-2014 based on the Israeli accounting standards that existed prior to adopting IFRS in Israel.

### ***Tax assessments***

Final tax assessments have been received by Plus500 through the year ended 31 December 2011. The subsidiary Plus500UK Ltd. has only been subject to self-assessment since its incorporation.

## **8. Earnings per share**

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

	For the year ended 31 December		
	2012 Cents	2013 Cents	2014 Cents
Basic and diluted	17	47	89
	<hr/>	<hr/>	<hr/>
	2012 \$'000	2013 \$'000	2014 \$'000
Profit for the year	17,100	50,633	102,452
	<hr/>	<hr/>	<hr/>
	2012 Number	2013 Number	2014 Number
<i>Denominator – basic and diluted</i>			
Weighted average number of equity shares	100,491,602	106,730,204	114,888,377
	<hr/>	<hr/>	<hr/>

On 24 June 2013, Plus500 allotted 98,154,588 bonus shares of NIS 0.01 par value to its shareholders. According to the guidance of IAS 33, Plus500 retrospectively revised the weighted average number of shares to 100,491,602 for the year ended 31 December 2012.

On 24 July 2013, Plus500's shares were listed for trading on the London Stock Exchange in its initial public offering ("IPO"). As part of the IPO, Plus500 issued 14,396,775 shares of NIS 0.01 par value in consideration for gross proceeds of £16.56 million (approximately \$25 million). Subsequent to the IPO the number of shares was 114,888,377.

## **9. Dividends**

The amount of dividends, and the amounts of dividends per share, for the years ended 31 December 2012, 2013 and 2014 declared and distributed by Plus500's Board of Directors were as follows:

	For the year ended 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
17 April 2012	6,660	—	—
16 August 2012	7,915	—	—
18 March 2013	—	4,874	—
19 June 2013	—	3,894	—
22 August 2013	—	8,042	—
18 February 2014	—	—	33,007
12 August 2014	—	—	26,999
	<u>14,575</u>	<u>16,810</u>	<u>60,006</u>

The dividends paid in the years ended 31 December 2012, 2013 and 2014 amounted to \$0.14, \$0.16 and \$0.52 per share, computed based on the weighted average number of ordinary shares in issue.

#### 10. Property, plant and equipment

	Leasehold improvements \$'000	Computers and office equipment \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2012	50	195	245
Additions	66	110	176
Disposals	—	(25)	(25)
At 31 December 2012	<u>116</u>	<u>280</u>	<u>396</u>
Additions	10	65	75
At 31 December 2013	<u>126</u>	<u>345</u>	<u>471</u>
Additions	1,309	110	1,419
At 31 December 2014	<u>1,435</u>	<u>455</u>	<u>1,890</u>
<b>Accumulated depreciation</b>			
At 1 January 2012	8	64	72
Charge for the year	38	49	87
On disposals	—	(3)	(3)
At 31 December 2012	<u>46</u>	<u>110</u>	<u>156</u>
Charge for the year	15	56	71
At 31 December 2013	<u>61</u>	<u>166</u>	<u>227</u>
Charge for the year	34	72	106
At 31 December 2014	<u>95</u>	<u>238</u>	<u>333</u>
<b>Net book value</b>			
As at 31 December 2012	70	170	240
As at 31 December 2013	65	179	244
As at 31 December 2014	<u>1,340</u>	<u>217</u>	<u>1,557</u>

#### 11. Intangible assets

	Software \$'000
<b>Cost</b>	
At 1 January 2012	49
Additions	10
At 31 December 2012	<u>59</u>
Additions	17
At 31 December 2013	<u>76</u>
Additions	24
At 31 December 2014	<u>100</u>

	Software \$'000
<b><i>Accumulated amortisation</i></b>	
At 1 January 2012	10
Amortisation for the year	8
At 31 December 2012	18
Amortisation for the year	11
At 31 December 2013	29
Amortisation for the year	14
At 31 December 2014	43
<b><i>Net book value</i></b>	
As at 31 December 2012	41
As at 31 December 2013	47
As at 31 December 2014	57

## 12. Subsidiary undertakings

Details of the Plus500 Group's subsidiaries as at 31 December 2014 are set out below:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Plus500UK Ltd	UK	100%	Provider of online CFD trading platform
Plus500AU Pty Ltd	Australia	100%	Provider of online CFD trading platform
Plus500CY Ltd	Cyprus	100%	Provider of online CFD trading platform
Plus500SG Pte. Ltd	Singapore	100%	Dormant
Five Capital Markets Ltd	Israel	100%	Dormant

## 13. Trade and other receivables

	As at 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Prepaid expenses	47	99	439
Credit cards	812	2,961	3,081
Other	35	179	407
	894	3,239	3,927

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.



#### 14. Cash, cash equivalents and short term bank deposits

##### *Cash and cash equivalents by currency of denomination*

	As at 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Dollar	811	2,348	96,838
Euro	2,817	46,536	44,426
GBP	35,905	59,875	14,808
Other	2,758	8,166	17,822
Gross cash and cash equivalents	42,291	116,925	173,894
Less: Segregated client funds	(19,805)	(32,817)	(34,730)
Own cash and cash equivalents	22,486	84,108	139,164

##### *Short term bank deposits*

At 31 December 2013, Plus500 had a short term bank deposit in Euro, yielding interest at 0.3 per cent. per year.

At 31 December 2014, Plus500 has a short term bank deposit of €1.04 million, yielding interest at 0.01 per cent. per year.

##### *Restricted deposit*

###### *Year ended 31 December 2012*

A bank deposit amounting £82,000 (\$132,000) 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 Plus500 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 Plus500 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 \$71,000 (NIS 264,000) until 2013.

###### *Year ended 31 December 2013*

A bank deposit amounting to €100,000 (\$138,000) serving as a security for a guarantee that was provided by the bank in favour of a third party and was renewed on 14 June 2013. The guarantee validity is recorded as 1 July 2014.

On 11 August 2011 Plus500 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 the contract, the lease is for 60 months and Plus500 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 a bank guarantee provided in favour of the said third party in the amount of \$77,000 (NIS 267,000) until August 2014.

###### *Year ended 31 December 2014*

On 28 April 2014 Plus500 signed a lease contract with a third party for the lease of 1,360 square meter offices in Haifa, Israel. According to the contract, the lease is for 60 months and Plus500 has an option to shorten the lease period to 36 months with a payment of NIS 337,000 plus VAT. The rental payments are linked to the Israeli CPI. The long term deposit serves as a security for a bank guarantee provided in favour of the said third party in the amount of \$69,000 (NIS 267,000) until August 2015.

## 15. Share capital

	As at 31 December		
	2012 Number	2013 Number	2014 Number
Ordinary shares of NIS 0.01 each:			
Authorised	300,000,000	300,000,000	300,000,000
Issued and fully paid	100,491,602	114,888,377	114,888,377

On 24 July 2013, Plus500's shares were listed for trading on the London Stock Exchange in Plus500's initial public offering ("IPO"). As part of the IPO, Plus500 issued 14,396,775 shares of NIS 0.01 par value in consideration for a gross amount of £16,556,291 (about \$25,000 thousands). Subsequent to the IPO the number of shares was 114,888,377.

## 16. Trade payables – due to clients

	As at 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Amounts due to clients	13,470	13,980	11,505
<i>Less: Financial derivative open positions</i>			
Gross amount of assets	(8,478)	(12,107)	(8,493)
Gross amount of liabilities	1,100	3,659	2,873
	6,092	5,532	5,885

Other amounts from clients that will be transferred from segregated client funds to the Group's own cash on the immediately following working day in accordance with the United Kingdom Financial Conduct Authority (FCA) rules amounted to \$620,000, \$380,000 and \$(628,000) as at 31 December 2012, 2013 and 2014.

## 17. Other accounts payable and accruals

### *Service suppliers*

	As at 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Open accounts	3,142	6,826	7,827
Cheques and notes payable	55	14	4
	3,197	6,840	7,831

### *Other*

	As at 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
Payroll and related expenses	166	373	513
Accrued expenses	656	749	1,858
Other	–	12	11
	822	1,134	2,382

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.

## 18. Related parties and shareholders

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

Key management personnel of the Plus500 Group include five founding shareholders: two of those shareholders are Directors.

These Shareholders provide services to the Plus500 Group directly or through companies they control.

As at 31 December 2012, 2013 and 2014, the balance of Plus500's liability in respect of these services amounts is \$79,500, \$72,000 and \$96,000; the said liability is recorded among "other payables".

In the year ended 31 December 2012, 2013 and 2014, Plus500 paid service fees to related parties at the total amount of \$934,000, \$941,000 and \$1.18 million, respectively. Amounts of \$778,000, \$775,000 and \$946,000 were recognised as payroll expenses under the "selling and marketing expenses" item for the years ended 31 December 2012, 2013 and 2014 respectively. The remaining balances of \$156,000, \$166,000 and \$238,000 were recognised as payroll expenses under the "general and administrative expenses" item for the years ended 31 December 2012, 2013 and 2014 respectively.

During the years ended 31 December 2013 and 2014, Plus500 paid directors fees of \$134,000 and \$423,000, respectively, under the general and administrative expenses.

## 19. Enterprise Wide Disclosures

The Company is domiciled in Israel. Revenue from Israeli customers is not material. Revenue from external customers in the United Kingdom represented 10 per cent., 15 per cent. and 16 per cent. of Plus500's revenue for the years ended 31 December 2012, 2013 and 2014.

Revenue was attributed to geographical areas according to the location of the customer.

## 20. Contingent liabilities

Management is not aware of any contingencies that may have a significant impact on the financial position of the Plus500 Group.

## 21. Commitments

### *Operating lease commitments*

At each of 31 December 2012, 2013 and 2014, the expected rental payments for the subsequent years were as follows:

	As at 31 December		
	2012 \$'000	2013 \$'000	2014 \$'000
First year	130	130	260
Second year	130	130	260
Third year	130	130	260
Fourth year	—	—	260
Fifth year	—	—	260
	<u>390</u>	<u>390</u>	<u>1,300</u>

## 22. Post balance sheet events

On 24 February 2015, Plus500's board of directors declared the distribution of a dividend of \$0.3001 per share, in the total amount of \$34.5 million with an ex-dividend date of 19 March 2015.

In addition to the above, the board of directors declared a special dividend of \$0.2657 per share, in the total amount of \$30.5 million.

## **PART IV**

### **UNAUDITED PRO FORMA FINANCIAL INFORMATION**

#### **Overview**

Section A of this Part IV is an unaudited pro forma statement of net assets of the Group at 31 December 2014 that has been prepared to illustrate the effect on the consolidated net assets of the Group as if:

- the acquisition of TradeFX Limited (which on 7 July 2015 changed its name to Markets Limited),
- the proposed acquisition of Ava Trade Ltd.,
- the proposed acquisition of Plus500 Ltd., and
- the placing of new ordinary shares

had all taken place on 31 December 2014.

Section B of this Part IV sets out the opinion from BDO LLP on the unaudited pro forma financial information contained in Section A.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The pro forma financial information is based on the audited consolidated financial statements of the Group for the year ended 31 December 2014 and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes in Section A of this Part IV, which form an integral part of the pro forma financial information.

**SECTION A: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP**

	The Group as at 31 December 2014 (note 1) €'000	Adjustments							Pro forma net assets of the Group €'000
		TradeFX Group as at 31 December 2014 (note 2) €'000	Ava Group as at 31 December 2014 (note 3) €'000	Plus 500 Group as at 31 December 2014 (note 4) €'000	Acquisition accounting (TradeFX Group) (note 5) €'000	Acquisition accounting (Ava Group) (note 6) €'000	Acquisition accounting (Plus 500 Group) (note 7) €'000	Placing proceeds (note 8) €'000	
<b>Non-current assets</b>									
Property, plant and equipment	38,319	561	481	1,282	—	—	—	—	40,643
Intangible assets	381,145	26,937	107	47	423,692	59,518	499,023	—	1,390,469
Investments in equity-accounted associates and joint ventures	33,826	2,160	—	—	—	—	—	—	35,986
Available for sale assets	24,219	—	—	—	—	—	—	—	24,219
Other non-current assets	16,644	1,162	159	408	—	—	—	—	18,373
	494,153	30,820	747	1,737	423,692	59,518	499,023	—	1,509,690
<b>Current assets</b>									
Trade receivables	45,056	2,787	—	—	—	—	—	—	47,843
Other receivables	22,396	1,480	7,294	3,234	—	—	—	—	34,404
Restricted and short term bank deposits	—	—	—	911	—	—	—	—	911
Cash and cash equivalents	692,347	42,567	24,946	114,623	(214,135)	(86,484)	(590,004)	313,754	297,614
	759,799	46,834	32,240	118,768	(214,135)	(86,484)	(590,004)	313,754	380,772
<b>Total assets</b>	1,253,952	77,654	32,987	120,505	209,557	(26,966)	(90,981)	313,754	1,890,462

**SECTION A: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP (CONTINUED)**

	The Group as at 31 December 2014 (note 1) €'000	Adjustments						Placing proceeds (note 8) €'000	Pro forma net assets of the Group €'000
		TradeFX Group as at 31 December 2014 (note 2) €'000	Ava Group as at 31 December 2014 (note 3) €'000	Plus 500 Group as at 31 December 2014 (note 4) €'000	Acquisition accounting (TradeFX Group) (note 5) €'000	Acquisition accounting (Ava Group) (note 6) €'000	Acquisition accounting (Plus 500 Group) (note 7) €'000		
<b>Non-current liabilities</b>									
Loans and borrowings	—	3,100	—	—	(3,100)	—	—	—	—
Convertible bonds	247,040	—	—	—	—	—	—	—	247,040
Deferred revenues	6,398	—	—	—	—	—	—	—	6,398
Deferred tax liability	4,904	—	—	—	—	—	—	—	4,904
Progressive operator's jackpots and security deposits	15,000	—	—	—	—	—	—	—	15,000
Contingent consideration	—	—	—	—	230,181	—	—	—	230,181
Deferred consideration	1,088	—	—	—	—	—	—	—	1,088
Other non-current liabilities	1,284	568	—	139	—	—	—	—	1,991
	275,714	3,668	—	139	227,081	—	—	—	506,602
<b>Current liabilities</b>									
Trade payables	16,426	3,249	—	—	—	—	—	—	19,675
Client balances	—	—	—	4,847	42,801	—	—	—	47,648
Progressive operator's jackpots and security deposits	45,562	—	—	—	—	—	—	—	45,562
Tax liabilities	990	396	1,585	16,126	—	—	—	—	19,097
Deferred revenues	3,442	—	—	—	—	—	—	—	3,442
Deferred consideration	1,823	—	—	—	—	—	—	—	1,823
Other payables	36,812	8,815	4,436	8,412	—	—	—	—	58,475
Loans and borrowings	—	54,631	—	—	(54,631)	—	—	—	—
	105,055	67,091	6,021	29,385	(11,830)	—	—	—	195,722
<b>Total liabilities</b>	380,769	70,759	6,021	29,524	215,251	—	—	—	702,324
<b>Net assets</b>	873,183	6,895	26,966	90,981	(5,694)	(26,966)	(90,981)	313,754	1,188,138



**Notes:**

1. The consolidated net assets of the Group as at 31 December 2014 have been extracted without material adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2014.

**Adjustments:**

2. The consolidated net assets of the TradeFX Group as at 31 December 2014 have been extracted without material adjustment from the audited consolidated financial statements (which for the avoidance of doubt have not been published) of the TradeFX Group for the year ended 31 December 2014, translated at a rate of \$1.2141:€1, being the prevailing rate at 31 December 2014.
3. The consolidated net assets of the Ava Group as at 31 December 2014 have been extracted without material adjustment from the historical financial information included in the Class 1 Circular dated 8 July 2015, which is incorporated by reference, translated at a rate of \$1.2141:€1, being the prevailing rate at 31 December 2014.
4. The consolidated net assets of the Plus500 Group as at 31 December 2014 have been extracted without material adjustment from the historical financial information included in Part III of this document, translated at a rate of \$1.2141:€1, being the prevailing rate at 31 December 2014.
5. Adjustments have been made to reflect the acquisition accounting arising on the acquisition of the TradeFX Group.

**(i) Acquisition accounting of the TradeFX Group: Fair value of consideration**

The fair value of contingent consideration has been determined using valuation techniques, taking into account the expected outcomes and appropriate discount rate. The computed fair value of the contingent consideration at acquisition is presented in the table below and the undiscounted range of possible payments is between €Nil and €250 million. Relevant future events determine how accurate such an accounting estimate turns out to be and the initial estimate of fair value is subject to subsequent changes which may result in a change to the pro forma net assets.

	€'000
Initial consideration payable in cash on completion	208,000
Maximum contingent consideration	250,000
Total maximum cash consideration	458,000
Finance cost arising on discounting of contingent consideration	(19,819)
Fair value of consideration	438,181

The initial cash consideration of €208 million has been applied directly against “Cash and cash equivalents” in the pro forma net assets. The fair value of the contingent consideration of €230.2 million, which represents the maximum contingent consideration of €250 million less the finance cost arising on discounting of €19.8 million, has been applied to “Contingent consideration” within non-current liabilities in the pro forma net assets.

In accordance with IFRS, the discounting of contingent consideration of €19.8 million is treated as a finance cost.

**(ii) Acquisition accounting of the TradeFX Group: Estimated intangible assets arising**

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of the TradeFX Group to reflect their fair value. The difference between the net assets of the TradeFX Group as stated at their book value at 31 December 2014 and the estimated consideration has therefore been presented as a single value in “Intangible assets”. The net assets of TradeFX Group will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Group’s next

published financial statements may therefore be materially different from that included in the pro forma statement of net assets.

	€'000
Book value of net assets of the TradeFX Group as at 31 December 2014	6,895
Alignment of accounting policies between the Group and the TradeFX Group (see note 5(iii) below)	(2,199)
Capitalisation of shareholder loans (see note 5(iv) below)	8,795
Book value of net assets of the TradeFX Group immediately prior to acquisition	13,491
Company's 91.1 per cent. share of the book value of net assets of the TradeFX Group	12,290
Fair value of consideration (see note 5(i) above)	(438,181)
Estimated intangible assets arising on the acquisition of the TradeFX Group	425,891

(iii) ***Acquisition accounting of the TradeFX Group: Accounting policy alignment***

Adjustments have been presented to reflect accounting policy alignments between the TradeFX Group and the Group, as set out below:

	€'000
Recognition of client balances	(42,801)
Recognition of segregated cash in connection with client balances	42,801
Alignment of intangible asset amortisation rates	(2,199)
Impact of accounting policy alignment	(2,199)

(iv) ***Acquisition accounting of the TradeFX Group: Repayment and capitalisation of shareholder loans prior to the completion of the acquisition***

The decrease in loans and borrowings comprises the repayment and capitalisation of certain shareholder debt amounting to €57.7 million, within the TradeFX Group immediately prior to completion of the acquisition.

	€'000
Repayment of shareholder loans prior to completion (\$59.4 million, translated at a rate of \$1.2141: €1, being the prevailing rate at 31 December 2014)	48,936
Capitalisation of shareholder loans immediately prior to completion	8,795
Decrease in loans and borrowings	57,731

(v) ***Summary of TradeFX Group acquisition accounting adjustments***

	Intangible assets €'000	Cash and cash equivalents €'000	Loans and borrowings €'000	Contingent consideration €'000	Client balances €'000	Total €'000
(i) Fair value of consideration	–	(208,000)	–	(230,181)	–	(438,181)
(ii) Estimated intangible assets arising on the acquisition	425,891	–	–	–	–	425,891
(iii) Accounting policy alignment	(2,199)	42,801	–	–	(42,801)	(2,199)
(iv) Capitalisation of non-current portion of shareholder loans	–	–	3,100	–	–	3,100
(iv) Capitalisation of current portion of shareholder loans	–	–	5,695	–	–	5,695
(iv) Repayment of current portion of shareholder loans	–	(48,936)	48,936	–	–	–
	423,692	(214,135)	57,731	(230,181)	(42,801)	(5,694)

6. Adjustments have been made to reflect the acquisition accounting arising on the acquisition of the Ava Group.

***Acquisition accounting of the Ava Group: Estimated intangible assets arising***

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of the Ava Group to reflect their fair value. The difference between the net assets of the Ava Group as stated at their book value at 31 December 2014 and the estimated consideration has therefore been presented as a single value in “Intangible assets”. The net assets of the Ava Group will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Group’s next published financial statements may therefore be materially different from that included in the pro forma statement of net assets.

	€’000
Book value of net assets of the Ava Group as at 31 December 2014	26,966
Fair value of consideration (\$105 million, translated at the prevailing rate at 31 December 2014 of \$1.2141:€1)	(86,484)
Estimated intangible assets arising on the acquisition of the Ava Group	<u>59,518</u>

7. Adjustments have been made to reflect the acquisition accounting arising on the acquisition of the Plus500 Group.

***Acquisition accounting of the Plus500 Group: Estimated intangible assets arising***

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of the Plus500 Group to reflect their fair value. The difference between the net assets of the Plus500 Group as stated at their book value at 31 December 2014 and the estimated consideration has therefore been presented as a single value in “Intangible assets”. The net assets of the Plus500 Group will be subject to a fair value restatement as at the effective date of the transaction. Actual intangible assets included in the Group’s next published financial statements may therefore be materially different from that included in the pro forma statement of net assets.

	€’000
Book value of net assets of the Plus500 Group as at 31 December 2014	90,981
Fair value of consideration (£459.6 million, translated at the prevailing rate at 31 December 2014 of £0.7789:€1)	(590,004)
Estimated intangible assets arising on the acquisition of the Plus500 Group	<u>499,023</u>

8. On 25 June 2015, the Company completed a placing of 29.1 million shares at a price of 780 pence per share. The placing is estimated to raise net proceeds of €313.8 million (£223.6 million translated at a rate £0.7126: €1, being the prevailing rate at 25 June 2015), representing gross proceeds of €318.0 million (£226.6 million) less estimated expenses of €4.2 million (£3.0 million).
9. No account has been taken of the financial performance of the Group, the TradeFX Group, the Ava Group or the Plus500 Group since 31 December 2014, nor of any other event save as disclosed above.

## SECTION B: REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION



BDO LLP  
55 Baker Street  
London  
W1U 7EU

The Directors  
Playtech PLC  
Ground Floor  
St George's Court  
Upper Church Street  
Douglas  
Isle of Man  
IM1 1EE

31 July 2015

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

Dear Sirs

### **Playtech PLC (the "Company")**

#### **Pro forma financial information**

We report on the unaudited pro forma net assets (the "Pro Forma Financial Information") set out in Section A of Part IV of the class 1 circular dated 8 July 2015 (the "Circular") which has been prepared on the basis described in Section A of Part IV, for illustrative purposes only, to provide information about how the acquisition of TradeFX Limited (which on 7 July 2015 changed its name to Markets Limited), the proposed acquisition of Ava Trade Ltd., the proposed acquisition of Plus500 Ltd. and the placing of new ordinary shares might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2014.

This report is required by paragraph 13.3.3R of the listing rules made by the Financial Conduct Authority for the purposes of part VI of the Financial Services and Markets Act 2000 (the "Listing Rules") and is given for the purpose of complying with that item and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 7 of Annex II of Commission Regulation (EC) No. 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by the 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 item 13.4.1R(6) of the Listing Rules, consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

#### **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. The work that we performed for the purpose of making this

report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

**BDO LLP**

*Chartered Accountants*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## PART V

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors, whose names, functions and addresses 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.

#### 2. The Company

- 2.1 The Company was incorporated and registered in the British Virgin Islands on 12 September 2002 under the International Business Companies Act (cap 291) of the British Virgin Islands with registered number 513063 as a company limited by shares and was automatically re-registered under the British Virgin Islands Business Companies Act, 2004 on 1 January 2007. On 21 June 2012, the Company's registration was re-domiciled to the Isle of Man with registration number 008505V.
- 2.2 The registered office and principal place of business of the Company is Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE and its telephone number is +44 1624 645 999.
- 2.3 The company secretary of the Company is Brian Moore.

#### 3. Interests in Ordinary Shares

As at 30 July 2015 (being the latest practicable date prior to the date of this document), the interests (all of which are beneficial) of the Directors and the members of Senior Management and their immediate families (including any interest known to that Director or which could with reasonable diligence be ascertained by him or any person connected with a Director within the meaning of section 252 to 255 of the Act) in the issued shares of the Company are as follows:

Name	Number of issued Ordinary Shares	Percentage of issued Ordinary Shares	Number of Ordinary Shares under Option
<b>Directors</b>			
Alan Jackson	15,000	0.005	—
Mor Weizer	36,000	0.011	—
Ron Hoffman	10,000	0.003	—
Hilary Stewart-Jones	—	—	—
Andrew Thomas	7,500	0.002	—
<b>Senior Management</b>			
Uri Levy	—	—	—
Shimon Akad	—	—	—
Eyal Wagner	—	—	—

#### 4. Significant shareholders

As at 30 July 2015 (being the latest practicable date prior to the date of this document), the Company is aware of the following existing Shareholders (other than any Director or member of Senior Management) who by virtue of the notifications made to it pursuant to the Articles and/or the Disclosure and Transparency Rules, are interested, directly or indirectly, in 3 per cent. or more of the issued shares of the Company:

Name	Number of issued Ordinary Shares	Percentage of issued Ordinary Shares
Brickington Trading Limited	108,408,441	33.6
Legal and General Investment Mgt	10,319,215	3.2
Newton Investment Mgt	9,850,665	3.1



## 5. Material Contracts

### Playtech

#### 5.1 *Plus500 Merger Agreement*

On 31 May 2015, Brighttech and Socialdrive entered into a merger agreement with Plus500 (the “**Merger Agreement**”) which provides for, subject to the terms and conditions of the Merger Agreement and in accordance with Israeli law, Socialdrive being merged with and into Plus500, with Plus500 surviving the merger (the “**Merger**”) and becoming a subsidiary of Brighttech.

Under the terms of the Merger, each Plus500 Share issued and outstanding immediately prior to the effective time of the Merger will be converted into the right to receive 400 pence in cash (the “**Merger Consideration**”) without any interest thereon, subject to the withholding of any applicable taxes.

The Merger Agreement contains a number of representations made by and to Brighttech and Socialdrive, on the one hand, and Plus500, on the other hand.

Representations made by Plus500 to Brighttech and Socialdrive in the Merger Agreement relate to, among other things: organisation, standing, corporate power, capitalisation of Plus500 and its subsidiaries, share appreciation rights, authority, non-contravention and voting requirements, required filings and consents, financial statements; no undisclosed liabilities, absence of certain changes or events, legal proceedings, compliance with laws, permits, tax matters, labour matters, company benefit plans, government grants, contracts, intellectual property, opinion of financial adviser, brokers and other advisers, related party transactions, insurance, property, environmental matters, rights agreement, anti-takeover provisions, insolvency and information supplied.

Representations made by Brighttech and Socialdrive to Plus500 in the Merger Agreement relate to, among other things: organisation, authority, non-contravention, required filings and consents, information supplied, compliance, ownership and operations of Socialdrive, brokers and other advisers, available funds and legal proceedings.

Significant portions of the representations and warranties of Plus500 are qualified by “materiality” or “Company Material Adverse Effect.”

A “*Company Material Adverse Effect*” means any change, event, circumstance, effect, development, occurrence or state of facts that, individually or in the aggregate, and regardless of whether or not such change constitutes a breach of the representations or warranties made by Plus500 in the Merger Agreement. is, or is reasonably likely to be, material and adverse to the business, condition, properties, assets, liabilities (contingent or otherwise), results of operations or financial condition of Plus500 and its subsidiaries taken as a whole; provided, however, that none of the following shall be deemed in itself to constitute, and that none of the following changes, events, circumstances, effects, developments, occurrence or state of facts shall be taken into account in determining whether there has been or would reasonably be expected to be, a Company Material Adverse Effect:

- changes in IFRS or applicable law (or any interpretations thereof), occurring after the date of the Merger Agreement;
- any acts of terrorism or war or any weather related event, fire or natural disaster;
- compliance with the terms of, the taking of any action required or the failure to take any action prohibited by, the Merger Agreement or any other transaction document or the taking of any action consented to in writing or requested in writing by Brighttech or Socialdrive;
- any failure by Plus500 to meet internal or published projections, forecasts, performance measures, operating statistics or revenue or earnings predictions for any period (it being understood that the facts and circumstances giving rise to such failure may be deemed to constitute, and may be taken into account in determining whether there has been or would reasonably be expected to be, a Company Material Adverse Effect);
- the announcement of the execution of the Merger Agreement or the pendency of consummation of the Merger (including the threatened or actual impact on relationships of Playtech with customers, vendors, suppliers, distributors, landlords or employees);
- changes in the industries or in the markets or legal or regulatory environment in which Plus500 and its subsidiaries operate generally; or

- general economic or political conditions or the applicable capital markets, or financial credit in general (including prevailing interest rates, exchange rates and stock market levels, except, in each case of the second, sixth and seventh bullets above, if Plus500 and its subsidiaries taken as a whole are adversely affected in a materially disproportionate manner relative to other participants in the industries in which Plus500 and its subsidiaries participate.

Some of the representations and warranties of Brighttech and Socialdrive are qualified by “materiality” or by any event, change, effect, development, condition or occurrence that would not prevent or materially delay Brighttech from consummating the transactions contemplated by the Merger Agreement or prevent or materially delay that party from performing its obligations under the Merger Agreement.

The representations and warranties in the Merger Agreement do not survive the completion of the Merger.

#### *Conduct of business*

Plus500 has agreed that until the effective date of the Merger, Plus500 and its subsidiaries will conduct their businesses in all material respects in the ordinary course of business consistent with past practice and use commercially reasonable efforts to maintain and preserve intact its business organisation, its permits, and the goodwill of those having business relationships with it and retain the services of its present executive officers and key employees consistent with past practice, except as required for the purposes of or expressly permitted by the Merger Agreement, as required by applicable law, as the Plus500 board of directors considers necessary or desirable in connection with the discharge of or compliance with any legal or regulatory obligation, including any requirement imposed by the FCA, or in connection with their dealings with or disclosures to any regulator including without limitation the FCA or regulators in Cyprus or Australia, or as consented to by Brighttech in writing (such consent shall not be unreasonably withheld, conditioned or delayed).

Plus500 has further agreed generally not to take, and not to permit its subsidiaries to take, certain material actions prior to the effective time of the Merger without the prior written consent of Brighttech.

In particular, the Merger Agreement prohibits Plus500 from distributing dividends to the shareholders of Plus500 until the effective date of the Merger without the prior written consent of Brighttech.

#### *Conditions to the Completion of the Merger*

Each party’s obligation to complete the Merger is conditioned upon the satisfaction or waiver (to the extent permissible), on or prior to the closing date, of all of the following conditions:

- the Plus500 shareholder approval having been obtained and the shareholder approval of Playtech having been obtained;
- the receipt of regulatory approvals and any required antitrust clearance;
- no governmental entity having enacted, issued or promulgated any law or any injunction or order which is in effect and which has the effect of making the Merger illegal or otherwise prohibiting or preventing the consummation of the Merger; and
- as required by the Israeli Companies Law: (i) at least 50 days having elapsed after the filing of a merger proposal with the Israeli Registrar of Companies of the State of Israel; and (ii) at least 30 days having elapsed after the Plus500 shareholder approval and the approval of the Merger by the shareholder of Socialdrive having been obtained (Brighttech, the sole shareholder of Socialdrive, approved the Merger Agreement on the date of the Merger Agreement).

The respective obligations of Brighttech and Socialdrive to complete the Merger are subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Plus500 being true and correct as of the date made and as of the closing date, except for any inaccuracy which has or does not had or have, individually or in the aggregate, a Company Material Adverse Effect;
- Plus500 having performed and complied with its obligations and covenants under the Merger Agreement except for any non-compliance which has or does not had or had, individually or

in the aggregate, a Company Material Adverse Effect and there was or is no intentional material non-compliance;

- no Company Material Adverse Effect having occurred since the date of the Merger Agreement; and
- the Directors of Plus500 having resigned.

Plus500's obligation to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Brighttech and Socialdrive being true and correct as of the closing date, except for any inaccuracy which would not result or has not resulted, individually or in the aggregate, in a material adverse effect; and
- Brighttech and Socialdrive having performed and complied with their obligations and covenants under the Merger Agreement except for any non-compliance which would not have or has not had, individually or in the aggregate, a material adverse effect.

The consummation of the Merger is not subject to a financing contingency.

*No Solicitation of Acquisition Proposals; Board Recommendation Change; Fiduciary Termination*

Plus500 has agreed that it will and will cause its subsidiaries and their respective representatives to immediately cease any and all existing discussions, communications or negotiations with respect to any acquisition proposal with any persons conducted prior to the execution of the Merger Agreement and refrain from any discussions, communications or negotiations with respect to any acquisition proposal for so long as the Merger Agreement is in effect.

Notwithstanding the restrictions above, the Plus500 board of directors is permitted to engage in discussions of, or provide non-public information with respect to, any *bona fide*, unsolicited written acquisition proposal received without a breach of the "no solicitation" restrictions described above if the Plus500 board of directors has determined, after consultation with its financial adviser and outside legal counsel, that the acquisition proposal constitutes or may reasonably be expected to lead to a "superior proposal". A "superior proposal" is a proposal in cash where the consideration payable thereunder to shareholders of Plus500 is not less than 105 per cent. of the Merger Consideration (or any amended terms of the Merger put forward by Brighttech).

In such case, if the Plus500 shareholder approval has not yet been obtained, the Plus500 board of directors may change its recommendation to the shareholders of Plus500 and/or terminate the Merger Agreement and pay a termination fee in certain cases (as described below), subject to the right of Brighttech to match the superior proposal.

*Termination*

The Merger Agreement may be terminated at any time before the effective time of the Merger by the mutual written consent of Brighttech and Plus500.

The Merger Agreement may also be terminated prior to the effective time of the Merger by Plus500 or Brighttech if:

- a governmental entity has enacted a law or issued a final and non-appealable order or taken any other action, having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger;
- the Merger is not consummated by 31 December 2015 (provided, however, that the right to terminate the Merger Agreement pursuant to this provision shall not be available to any party whose actions or omissions have been a principal cause of, or primarily resulted in, the failure of the Merger to occur on or before such date and such action or failure to act constitutes a breach of the Merger Agreement); or
- the Playtech shareholders' approval is not obtained after the final adjournment of the shareholders' meeting at which a vote is taken on the Merger.

The Merger Agreement may also be terminated by Brighttech under any of the following circumstances:

- if: (A) the Plus500 board of directors changes its recommendation to vote in favour of the Merger in connection with a superior proposal; or (B) following the public disclosure or announcement of a takeover proposal the Plus500 board of directors shall have failed to reconfirm publicly its recommendation of the Merger within seven business days after Plus500 receives Brighttech's written request therefor; or
- Plus500 has materially breached any of its representations, warranties or covenants under the Merger Agreement which would result in the failure to satisfy a closing condition (subject to an overall material adverse effect qualification), and Plus500 has failed to cure or cannot cure the breach within 30 days following notice of the breach from Brighttech.

The Merger Agreement may also be terminated by Plus500 under any of the following circumstances:

- at any time prior to the receipt of the Plus500 shareholder approval, in order to enter into an agreement with respect to a superior proposal, provided that Plus500 pays the termination fee to Brighttech concurrently with the termination of the Merger Agreement;
- Brighttech or Socialdrive has materially breached any of its representations, warranties or covenants under the Merger Agreement which would result in the failure to satisfy a closing condition (subject to an overall material adverse effect qualification), and Brighttech or Socialdrive has failed to cure or cannot cure the breach within 30 days following notice of the breach from Plus500; or
- if: (A) all the conditions to closing have been satisfied (or waived); (B) Plus500 has irrevocably confirmed in a written notice delivered to Brighttech that Plus500 stands, and will stand, ready, willing and able to consummate the Merger; and (C) Brighttech fails to consummate the Merger within five (5) Business Days after the delivery of such written notice.

#### *Termination Fee*

Plus500 is required to pay Brighttech a £20.7 million termination fee in connection with the termination of the Merger Agreement under the following circumstances:

- a takeover proposal (or an intention to make a takeover proposal) shall have been made known to Plus500 and publicly disclosed or made publicly known or made directly to the shareholders of Plus500, and thereafter, the Merger Agreement is terminated by Plus500 or Brighttech due to the failure to obtain the Plus500 shareholder approval, and further thereafter within nine (9) months after the date the Merger Agreement is terminated, Plus500 enters into a definitive agreement with respect to any takeover proposal that is subsequently consummated;
- Plus500 terminates the Merger Agreement in order to enter into an agreement with respect to a superior proposal, prior to the Plus500 shareholder approval being obtained; or
- in the event the Merger Agreement is terminated by Brighttech as a result of: (i) the Plus500 board of directors changing its recommendation to the shareholders of Plus500 to vote for the Merger in connection with a superior proposal; or (ii) the Plus500 board of directors refusing to re-affirm its recommendation to shareholders of Plus500 to vote for the Merger within seven (7) Business Days of a written request from Brighttech following the public disclosure or announcement of a takeover proposal and, within nine (9) months after the date the Merger Agreement is terminated, Plus500 enters into a definitive agreement with respect to any takeover proposal that is subsequently consummated.

#### *Efforts to Consummate the Merger*

Subject to the terms and conditions of the Merger Agreement, each of Brighttech, Socialdrive and Plus500 have agreed to use its reasonable best efforts to take, or cause to be taken, all actions and do, or cause to be done, and to assist and cooperate with the other parties to the Merger Agreement in doing, all things reasonably necessary, proper or advisable under applicable law or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by the Merger Agreement.

#### *Indemnification and Insurance*

Pursuant to the Merger Agreement, Brighttech has agreed to cause Plus500 (as the surviving company in the Merger, referred to as the “**Surviving Company**”) to honour all existing indemnification agreements with Plus500's directors and officers.

In addition, Brighttech has agreed to cause the Surviving Company and its subsidiaries to maintain, for seven years after the closing of the Merger, in their respective organisational documents director and officer indemnification, insurance, exculpation and expense advancement provisions that are at least as favourable as those existing at the time of the signing of the Merger Agreement.

Finally, Brighttech has agreed to cause the Surviving Company to maintain in effect, for seven years after the closing of the Merger, directors' and officers' insurance policies covering acts or omissions occurring prior to or at the closing of the Merger on terms with respect to coverage and amounts that are equivalent to those of Plus500's current directors' and officers' insurance policies, or to purchase a seven-year "tail" endorsement to the current directors' and officers' insurance policies in respect of matters occurring at or prior to the closing of the Merger.

## 5.2 *Playtech Guarantee*

In connection with the execution of the Merger Agreement, Playtech Software Limited entered into a guarantee dated 31 May 2015 in favour of Plus500 pursuant to which it agreed to guarantee all of the obligations of Brighttech and Socialdrive under the Merger Agreement.

- 5.3 Save as disclosed in: (i) paragraphs 5.1 to 5.2 above; (ii) paragraph 6 of Part IV of the circular of the Company dated 8 July 2015; and (iii) Part III and paragraph 3 of Part IV of the circular of the Company dated 2 April 2015, and excluding contracts that have been entered into in the ordinary course of business, there are no other contracts which have been entered into by members of Playtech in the two years immediately preceding the date of this document and which are, or may be, material to Playtech or which have been entered into at any time by members of the Playtech and which contain any provision under which any member of Playtech has any obligation or entitlement which is, or may be, material to the Playtech as at the date of this document.

## **Plus500**

## 5.4 *Atletico Madrid Sponsorship Agreement*

Plus500 and Club Atletico de Madrid, S.A.D. ("**Atletico de Madrid**") entered into a sponsorship agreement on 6 January 2015 ("**Sponsorship Agreement**") under which Plus500 was entitled to advertise and promote itself as the official sponsor of Atletico de Madrid for the remainder of the 2014/15 football season. Plus500 is further entitled to advertise and promote itself as the official main sponsor of Atletico de Madrid during the 2015/16 and 2016/17 football seasons in connection with which the Plus500 logo will feature on the front of the home and away Atletico de Madrid football shirts for all matches, including the UEFA Champions League. In addition, Plus500 will benefit from certain branding rights and other sponsorship benefits during the 2015/16 and 2016/17 football seasons. Plus500 and Atletico de Madrid will also actively consider extending the relationship for further seasons. For the duration of the Sponsorship Agreement the Company will be the sole and exclusive sponsor of Atletico de Madrid in the online trading sector, save that this exclusivity does not apply to local and international banks and insurance companies.

Plus500 has agreed to pay Atletico de Madrid certain annual fees in connection with the Sponsorship Agreement for the rights granted to it.

## 5.5 *Placing Agreement*

Plus500 and Liberum Capital Limited ("**Liberum**") entered into a placing agreement on 18 July 2013 in connection with the admission to trading on AIM pursuant to which Liberum agreed to procure subscribers for 14,396,775 new ordinary shares of Plus500 at 115 pence per Plus500 ordinary share ("**Placing Agreement**"). Under the Placing Agreement, Plus500 agreed to pay Liberum a corporate finance fee of £150,000 and a commission of 4 per cent. (plus any applicable VAT) in connection with its obligations under the Placing Agreement. The Placing Agreement contained customary representations and warranties and indemnities given by Plus500 to Liberum.

## 5.6 *The Selling Shareholders Agreement*

Wavesoft (wholly owned by Gal Haber), Sparta (wholly owned by Alon Gonen), Smarty Ltd (wholly owned by Elad Ben Izhak), BQSoft Ltd (wholly owned by Shimon Sofer), Omer Elazari, Shlomi Weizmann and Naschitz, Brandes & Co (together, the "**Selling Shareholders**") and Plus500 entered into an agreement with Liberum on 18 July 2013 ("**Selling Shareholders Agreement**"). Under the Selling Shareholders Agreement, Liberum agreed, as agent for each of the Selling Shareholders, to use its reasonable endeavours to procure places to purchase the 28,793,550 existing Plus500 ordinary shares at



115 pence per Plus500 ordinary share. The Selling Shareholders Agreement contained customary representations and warranties and indemnities given by the Selling Shareholders to Liberum.

#### 5.7 *The Lock-In Agreements*

Each Founder entered into an agreement with Plus500 on 18 July 2013 and Liberum under which each agreed that they would not dispose of any Plus500 ordinary shares in the six-month period from admission to trading of the Plus500 ordinary shares on AIM (“**Lock-In Period**”) without the prior written consent of Plus500 and Liberum (“**Lock-In Agreements**”) and any disposal of Plus500 ordinary shares between the expiry of the Lock In Period and the first anniversary of admission to AIM (which was subsequently extended on 27 February 2014 through 27 August 2014) would have had to been made through Liberum (or Plus500’s broker from time to time, as applicable).

#### 5.8 *The Indemnification Agreements*

Under the indemnification agreements entered into with each director of Plus500, the company secretary of Plus500 and each other Founder (“**Indemnification Agreements**”), Plus500 undertook to exempt and indemnify each individual to the fullest extent permitted under the Companies Law. The aggregate amount payable by Plus500 under an Indemnification Agreement was not to exceed 50 per cent. of the shareholders’ equity of Plus500 measured by the most recently published balance sheet of Plus500 prior to the time that notice of indemnification were delivered to Plus500.

#### 5.9 *Depository Agreement*

On 16 July 2013 Plus500 and Capita IRG Trustees Limited (the “**Depository**”) entered into a depository agreement whereby the Depository was appointed to act as depository of Plus500 upon the terms of the deed poll (the “**Deed Poll**”) executed in favour of the holders of Ordinary Shares wishing to use CREST (“**Depository Agreement**”). Under the Depository Agreement, Plus500 agreed to pay the Depository a set up fee 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 Depository was also entitled to the reimbursement of all out of pocket expenses incurred during the proper performance of its duties, obligations and responsibilities under the Deed Poll and the Depository Agreement.

The initial term of the Depository Agreement is three years (the “**Initial Period**”), which automatically renews on expiry of this period for a further 12 months unless terminated by either party. The Depository 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 Plus500’s notice to terminate will not expire earlier than the expiry of the Initial Period.

- 5.10 Save as disclosed in paragraphs 5.1, 5.2 and 5.4 to 5.9 above and excluding contracts that have been entered into in the ordinary course of business, there are no other contracts which have been entered into by members of the Plus500 Group in the two years immediately preceding the date of this document and which are, or may be, material to Plus500 or which have been entered into at any time by members of the Plus500 Group and which contain any provision under which any member of the Plus500 Group has any obligation or entitlement which is, or may be, material to the Plus500 Group as at the date of this document.

### 6. **Legal and arbitration proceedings**

#### **Playtech**

- 6.1 There are no governmental, legal or arbitration proceedings nor so far as the Company is aware, are any governmental, legal or arbitration proceedings pending or threatened 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 or profitability.

#### **Plus500**

- 6.2 As referred to in paragraph 7 of Part I above, recent events and associated publicity have meant that Plus500 has become the subject of increased scrutiny. In particular, since October 2014, Plus500UK has been in discussions with the FCA in relation to its AML and financial sanction systems and other related regulatory controls which has led to Plus500UK providing two Voluntary Requirements to the FCA and undertaking two skilled person’s reviews. Other than with respect to such ongoing discussions, there are no governmental, legal or arbitration proceedings nor, so far as the Company is aware, are any governmental, legal or arbitration proceedings pending or threatened



which may have, or have had during the 12 months preceding the date of this document, a significant effect on Plus500 Group's financial position or profitability.

## **7. Significant change**

- 7.1 Save in respect of the Placing and the entry into of the Revolving Credit Facility, there has been no significant change in the financial or trading position of the Group since 31 December 2014, the date to which the last published financial statements of the Group were prepared.
- 7.2 As announced on 9 July 2015, at close of business on 30 June 2015, the Plus500 Group had achieved revenues of \$44.9 million for the second quarter, following \$82.1 million in the first quarter, giving year to date revenues of \$127 million and year to date EBITDA \$55.8 million. After a record first quarter, revenues in the second quarter were lower than the same quarter last year due to a combination of quieter markets and the temporary suspension of trading activity in the Plus500UK business. Second quarter 2015 revenue was \$44.9 million compared to first quarter 2015 revenue of \$82.1 million for a total of \$127 million in H1 2015 (second quarter 2014 revenue was \$45.5 million compared to first quarter 2014 revenue of \$60.7 million for a total of \$106.2 million in H1 2014). At the same time, the Plus500 Group announced that it would continue to invest in acquiring new customers for its future growth and that whilst dependent on trading levels and market volatility, with existing Plus500UK customers able to trade again, the Plus500 board now expects that revenue for 2015 will be similar to that achieved in 2014 but that the Plus500 board still expect margins to be significantly lower. Other than the foregoing matters, there has been no significant change in the financial or trading position of the Plus500 Group since 31 December 2014, the date to which the last published financial statements of the Plus500 Group were prepared.

## **8. Profit forecast**

On 9 July 2015, Plus500 published a trading update for the six months ended 30 June 2015 which included the following wording:

*"The Group will continue to invest in acquiring new customers for its future growth. Whilst dependent on trading levels and market volatility, with existing Plus500UK customers able to trade again, the Board now expects that revenue for 2015 will be similar to that achieved in 2014 but the Board still expect margins to be significantly lower."*

This statement has been deemed to constitute a profit forecast for the purposes of the Listing Rules on the basis that it implies a maximum figure for the likely level of profits for the current financial year ending 31 December 2015.

### ***Basis of preparation***

The profit forecast is made on the basis of the unaudited internal management accounts for the six months ended 30 June 2015 and an unaudited forecast for the Plus500 Group for the six months ending 31 December 2015.

The profit forecast has been made on a basis consistent with the accounting policies adopted by Plus500 in the preparation of its audited consolidated financial statements for the year ended 31 December 2014. There have been no material changes or amendments to the accounting policies since 31 December 2014 and the same policies are expected to be adopted in the financial statements for the year ending 31 December 2015.

The profit forecast has been properly compiled on the basis of the assumptions stated below and the basis of accounting is consistent with the accounting policies of Playtech.

### ***Principal assumptions***

The profit forecast has been compiled on the basis of the following assumptions.

Assumptions which are within the influence or control of the Directors:

- There will be no material change in the operational strategy of the Plus500 Group or the current management in the forecast period.

Assumptions which are outside the influence or control of the Directors:

- Plus500 will successfully recommence onboarding of new customers in the UK during August 2015;
- There will be no changes or proposed changes in relevant legislation, governmental policy or other regulatory requirements which will materially affect the results of the Plus500 Group;

- There will be no material adverse change in economic conditions and current trading patterns, including any potential adverse impact from deterioration in the Eurozone;
- There will be no unusual and material income or losses arising from major customer activity in the Plus500 Group's CFD trading platforms;
- There will be no material change in the competitive environment and resulting customer preferences in which the Plus500 Group operates; and
- There will be no material business interruptions, including natural disasters or industrial disputes, which would adversely affect the Plus500 Group, its customers or suppliers.

## 9. Working capital

The Company is of the opinion that the Enlarged Group has sufficient working capital available for its present requirements, that is, for at least the period of 12 months from the date of this document.

## 10. Related Party Transactions

Other than: (i) those matters referred to in the document; (ii) the participation by Brickington Trading Limited in the Placing; (iii) the acquisition of TradeFX by Dowie, further details of which are set out in the circular of the Company dated 2 April 2015 which are incorporated by reference into this document; (iv) those matters referred to in Note 26 to the Financial Statements of the Group for the year ended 31 December 2014, which are incorporated by reference into this document; (v) those matters referred to in Note 27 to the Financial Statements of the Group for the year ended 31 December 2013, which are incorporated by reference into this document; (vi) those matters referred to in Note 28 to the Financial Statements of the Group for the year ended 31 December 2012, which are incorporated by reference into this document, during the period commencing on 1 January 2012 and terminating on the date of this document, the Company has not entered into any related party transaction.

## 11. Information incorporated by reference

Your attention is drawn to the following information which is incorporated by reference into this Circular:

Document	Section	Page numbers in such document
Circular of the Company dated 8 July 2015	Historic Financial Information relating to the Ava Group	14-35
	Service Agreements and arrangements	36-37
	Material Contracts	37-43
Circular of the Company dated 2 April 2015	Material Contracts	17-18 and 25-28
Annual Report and Accounts of the Company for the year ended 31 December 2014	Note 26 – Related Parties and Shareholders	103-104
Annual Report and Accounts of the Company for the year ended 31 December 2013	Note 27 – Related Parties and Shareholders	105
Annual Report and Accounts of the Company for the year ended 31 December 2012	Note 28 – Related Parties and Shareholders	88

The above referenced documents are available at [www.playtech.com](http://www.playtech.com) or <http://www.morningstar.co.uk/uk/NSM>

## 12. Consents

- 12.1 Canaccord Genuity has given and has not withdrawn its written 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.
- 12.2 BDO LLP has given and has not withdrawn its written consent to the inclusion in this document of its report in Section B of Part IV in the form and context in which it appears.

### **13. Documents available for inspection**

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at Ground Floor, St George's Court, Upper Church Street, Douglas, Isle of Man IM1 1EE from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the memorandum and articles of incorporation of the Company;
- (b) the Annual Reports and Accounts of the Company, including the audited consolidated accounts and the independent auditors' reports for each of the years ended 31 December 2012, 31 December 2013 and 31 December 2014;
- (c) the report as the Unaudited Pro Forma Financial Information set out in Section B of Part IV of this document;
- (d) the consent letters referred to in paragraph 12 above;
- (e) the Merger Agreement; and
- (f) this Circular and the Form of Proxy.

Dated: 31 July 2015

## PART VI

### DEFINITIONS

The following definitions apply throughout this document, unless stated otherwise:

<b>Act</b>	the UK Companies Act 2006, as amended from time to time
<b>Ava Trade</b>	Ava Trade Ltd.
<b>Ava Group</b>	Ava Trade and its subsidiaries from time to time
<b>Board</b>	the board of the Company comprising the Directors
<b>Brighttech</b>	Brighttech Investments, S.A., a subsidiary controlled by Playtech
<b>BVI</b>	British Virgin Islands
<b>Canaccord Genuity</b>	Canaccord Genuity Limited of 88 Wood Street, London EC2V 7QR
<b>Completion</b>	completion of the Transaction in accordance with the Merger Agreement
<b>Company or Playtech</b>	Playtech PLC
<b>CREST</b>	the paperless settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to, and the holding of, shares in uncertificated form
<b>CySEC</b>	the Cyprus Securities and Exchange Commission
<b>Dowie</b>	Dowie Investments Limited, a wholly owned subsidiary of the Company
<b>Directors</b>	the directors of the Company, as set out on page 3 of this document
<b>DTRs or Disclosure and Transparency Rules</b>	the Disclosure and Transparency Rules of the FCA made in accordance with section 73A of FSMA
<b>EEA</b>	the European Economic Area
<b>Enlarged Group</b>	the Group as enlarged by the Transaction
<b>EU</b>	European Union
<b>Euro or €</b>	the official currency of certain of the member states of the European Union
<b>FCA</b>	the Financial Conduct Authority
<b>Form of Proxy</b>	the form of proxy accompanying this document for use by Shareholders in relation to the General Meeting
<b>Founders</b>	Mr Elad Ben Izhak, Mr Omer Elazari, Mr Alon Gonen, Mr Gal Haber and Mr Shlomi Weizmann and “Founder” means any one of them
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>General Meeting</b>	the general meeting of the Company to be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man at 11.00 a.m. on 19 August 2015 (or any adjournment thereof), notice of which is set out at the end of this document
<b>Group</b>	the Company and its subsidiaries from time to time
<b>Israeli Companies Law</b>	the Israel Companies Law 5759-1999
<b>Listing Rules</b>	the Listing Rules of the FCA made in accordance with section 73A of FSMA
<b>Merger</b>	the merger of Socialdrive with and into Plus500 pursuant to the Israeli Companies Law and the terms of the Merger Agreement

<b>Merger Agreement</b>	the merger agreement between Brighttech, Socialdrive and Plus500 dated 31 May 2015 in connection with the Transaction details of which are set out in paragraph 6 of Part V of this document
<b>Merger Proposal</b>	the resolution proposed at the special general meeting of Plus500 Shareholders to approve and give effect to the Merger
<b>MiFID</b>	the Markets in Financial Instruments Directive 2004/39/EC
<b>Ordinary Shares</b>	ordinary shares of no par value in the capital of the Company
<b>Placing</b>	the placing of 29,050,000 new Ordinary Shares by Canaccord Genuity, UBS and Shore Capital on behalf of the Company on 18 June 2015 (the admission of the such shares to the Official List and to trading on the London Stock Exchange's main market for listed securities which became effective on 24 June 2015)
<b>Plus500</b>	Plus500 Ltd.
<b>Plus500AU</b>	Plus500AU Pty Ltd, ACN 153 301 681 whose registered office is at 19-21 Hunter Street, Sydney, New South Wales 2000, Australia
<b>Plus500CY</b>	Plus500CY Limited, registered number 333382 whose registered office is at 1, Siafi Street, Porto Bello Business & Cultural Centre, Business Suites 1-4, Office 104, CY-3042 Limassol
<b>Plus500 Group</b>	Plus500 and its subsidiaries from time to time
<b>Plus500 Shareholders</b>	shareholders in Plus500
<b>Plus500UK</b>	Plus500UK Ltd, registered number 07024970 whose registered office is at Talbot House, 8 9 Talbot Court, London EC3V 0BP
<b>Prospectus Rules</b>	the rules made for the purposes of Part VI of FSMA in relation to the offer of securities to the public and admission of securities to trading on regulated markets
<b>Registrars</b>	Computershare Investor Services (Isle of Man) Limited, c/o, The Pavilions, Bridgwater Road, Bristol BS99 6ZY
<b>Resolution</b>	the ordinary resolution to approve the Transaction as set out in the notice of General Meeting at the end of this document
<b>Revolving Credit Facility</b>	the revolving credit facility entered into by the Company (amongst others) on 28 June 2015 pursuant to a revolving credit facility agreement, further terms of which are set out on paragraph 6 of Part IV of the circular of the Company dated 8 July 2015
<b>Shareholders</b>	the holders of the Ordinary Shares
<b>Socialdrive</b>	Socialdrive Ltd., a wholly owned subsidiary of Brighttech
<b>Subsidiary or subsidiaries</b>	as defined in section 1159 of the UK Companies Act 2006 (as amended)
<b>TradeFX</b>	TradeFX Limited (which on 7 July 2015 changed its name to Markets Limited)
<b>TradeFX Group</b>	TradeFX and its subsidiaries from time to time
<b>Transaction</b>	the proposed acquisition of the entire issued share capital of Plus500 to be made by Brighttech and to be effected by a merger under Israeli Companies Law.

## PART VII

### GLOSSARY

<b>Active Customer</b>	a customer who makes at least one trade using real money on the Trading Platform during the relevant period
<b>AML</b>	anti-money laundering
<b>Android</b>	a Linux based operating system designed primarily for touchscreen mobile devices such as smartphones and tablet computers
<b>app</b>	an application for use on an operating system such as iOS or Android
<b>ARPU</b>	average revenue per user (being total Plus500 Group revenue in a period divided by the total number of Active Customers during the same period)
<b>AUAC</b>	average user acquisition cost (being total advertising and affiliate expenses in a period divided by the number of New Customers in the same period)
<b>B2C</b>	business to consumer
<b>CFD</b>	a contract for difference
<b>CRM</b>	client relationship management
<b>dealing spread</b>	the difference between the buy price and the sell price of a CFD
<b>demo account</b>	a demonstration account on the Trading Platform which enables potential customers to experience the Trading Platform without depositing funds with the Plus500 Group
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>Equity</b>	the net aggregate of all deposits, withdrawals, cashable bonuses, closed positions and open positions of a particular customer
<b>ETF</b>	exchange traded fund
<b>Forex/FX</b>	foreign exchange
<b>FTD</b>	a first time depositor, being a customer who has deposited real money into their account with the Ava Group for the first time
<b>IBs</b>	introducing brokers
<b>iOS</b>	a mobile operating system designed primarily for touchscreen mobile devices such as smartphones and tablet computers; developed and distributed by Apple Inc
<b>IMS</b>	information management system
<b>long position</b>	the buying of a CFD in anticipation that the relevant underlying instrument will rise in value
<b>Marketing Machine</b>	the marketing software designed and developed by the Plus500 Group which enables it to monitor the effectiveness of online marketing campaigns and inform marketing spend
<b>New Customer</b>	a customer who has deposited real money into their own account for the first time
<b>online</b>	unless the context otherwise requires, shall include communications using the internet, mobile and tablet
<b>OTC</b>	over the counter
<b>Programmatic buying capability</b>	online display advertising that is aggregated, booked, analysed and optimised via demand side software interfaces and algorithms

<b>real money</b>	currency (other than funds received by way of bonus)
<b>short position</b>	the sale of a CFD in anticipation that the relevant underlying instrument will fall in value
<b>Trading Platform</b>	the Plus500 Group's electronic trading platform facility (together with any programs, services, upgrades, bug fixes and updates if any, and the underlying code thereto).



## NOTICE OF GENERAL MEETING

# Playtech PLC

*(Incorporated in the Isle of Man with registered number 008505V)*

Notice is given that a General Meeting of Playtech PLC (the “Company”) will be held at The Sefton Hotel, Harris Promenade, Douglas, Isle of Man on 19 August 2015 at 11.00 a.m. to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution.

### Ordinary Resolution

THAT the Transaction, on the terms set out in the Merger Agreement (both as defined in the circular to shareholders dated 31 July 2015 (the “Circular”)) and the associated and ancillary arrangements contemplated in the Merger Agreement, be and is hereby approved and the directors (or a committee of the directors) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Merger Agreement (provided that any such waivers, amendments, variations or extensions are not of a material nature) and to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Transaction and any matters incidental to the Transaction.

*Voting on the resolution will be by way of a poll*

BY ORDER OF THE BOARD

**Brian Moore**  
*Company Secretary*

31 July 2015

*Registered Office:*  
Ground Floor  
St George’s Court  
Upper Church Street  
Douglas  
Isle of Man IM1 1EE

### Notes to the Notice of General Meeting

1. The Company specifies that only those holders of Ordinary Shares registered in the register of members of the Company as at 6.00 p.m. on 17 August 2015 (or 6.00 p.m. on the day that is two days before any adjourned meeting) shall be entitled to attend (either in person or by proxy) and vote at the Meeting, or any adjourned meeting, in respect of the number of shares registered in their names at that time. Any changes to the register of members after 6.00 p.m. on 17 August 2015 (or 6.00 p.m. on the day that is two days before any adjourned Meeting) shall be disregarded in determining the right of any person to attend and vote at the Meeting.
2. Information regarding the Meeting is available from the Company’s website at [www.playtech.com](http://www.playtech.com).
3. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
4. Pursuant to Regulation 22 of the Uncertificated Securities Regulations 2006 (Isle of Man), shareholders who hold shares in uncertificated form must be entered on the Company’s share register at 6.00 p.m. on 17 August 2015 (or, if the Meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting) in order to be entitled to attend and vote at the Meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the Meeting. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.
5. A form of proxy is enclosed with this notice for use in connection with the business set out above. To be valid, forms of proxy and any power of attorney or other authority under which it is signed must be lodged with Computershare Investor Services (Isle of Man) Limited, c/o, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible but in any event must be received not later than 11.00 a.m. on 17 August 2015 (or, if the meeting is adjourned, not later than 48 hours before the time fixed for the adjourned meeting). Completion and return of a form of proxy does not preclude a member from attending and voting at the Meeting or at any adjournment thereof in person.
6. As an alternative to completing and returning the printed form of proxy, you may submit your proxy electronically by accessing [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). For security purposes, you will be asked to enter the control number, your shareholder reference number (SRN) and personal identification number (PIN) to validate the submission of your proxy online. The control

number and members' individual SRN and PIN numbers are shown on the printed form of proxy or email notification. For further information, see the instructions printed on the form of proxy.

7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
8. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Ltd.'s specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, must be transmitted so as to be received by the Issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for the Meeting. For this purpose, the time of receipt will be taken to the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Ltd does not make available special procedures in CREST for any particular message. Normal systems timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitation of the CREST systems and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 18(4) (a) of the Uncertificated Securities Regulations 2006 (Isle of Man).
10. A corporation which is a member may by resolution of its directors or other governing body authorise a person to act as its representative who may exercise, on its behalf, all its powers as a member, provided that they do not do so in relation to the same shares. A certified copy of any such resolution must be deposited at the registered office of the Company not less than 48 hours before the time appointed for the meeting to be valid.
11. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgment of an electronic proxy form, that is found to contain any virus will not be accepted.
12. As at 5.00 p.m. on 30 July 2015, the Company's issued share capital comprised 322,622,617 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on 30 July 2015 is 322,622,617. The website referred to in note 2 will include information on the number of shares and voting rights.
13. Voting on the resolution will be conducted by way of a poll rather than on a show of hands as this is considered by the Board to reflect the views of shareholders more accurately. As soon as practicable, following the Meeting the results of voting at the Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of the resolution will be announced via a Regulatory Information Service and also placed on the Company's website referred to at note 2 above.
14. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted) calling our shareholder helpline on +44 (0)870 707 4040. You may not use any electronic address provided either: (i) in this notice of general meeting; or (ii) any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.





