Registered number: 7973792

ETORO (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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U.S. DOLLARS

INDEX

	Page
Company Information	3
Directors' Report	4-6
Statement of Directors' Responsibilities	7
Auditor's Report	8-10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to Financial Statements	15-34

COMPANY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Directors:	Jonathan Alexander Assia Avi Sela Anthony Stephen Wollenberg Paul Chrimes Robert Brown
Registered Office:	5 Fleet Place London EC4M 7RD
Business Address:	24th Floor One Canada Square Canary Wharf London E14 5AB
Auditor:	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY
Banker:	Coutts & Co 440 Strand London WC2R 0QS

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended December 31, 2017.

Principal activities and future developments

ETORO (UK) Limited (the "Company"), a private company, limited by shares, was incorporated on March 2, 2012, is based in Canary Wharf, London, and is authorised and regulated by the Financial Conduct Authority ("FCA"), from whom it was granted authorization on May 9, 2013. On 23 November 2015 the Company commenced trading.

The Company presents an online social trading platform to customers who have deposited at least $5,000 to trade contracts for differences (CFDs) in currencies, commodities, indices, ETFs, stocks and cryptocurrencies online in a simple, transparent way. Customers are able to follow other customers using the platform and automatically copy their investments. During 2017 the Company commenced offering clients the ability to buy the underlying crypto currencies. This applies to non-leveraged buy transactions in crypto currencies which are unregulated assets. All other transactions in crypto currencies are CFDs, which with all other CFDs, are regulated products.

The Company connects the traditional investing world with the new world of social networks. Customers buy and sell financial products on the platform whilst exchanging information with other customers. A customer's portfolio, risk score, and trading performance are visible to other customers on the platform. By following a financial instrument or another customer, a feed of information and trading activity is received into a customers' own feed. By copy trading, a customer can allocate a sum of money that will be invested to copy proportionally the amount invested in either another customer's existing portfolio or any new trades made by that customer, and automatically execute the same transaction, in proportion to the amount invested.

During 2017 the Company continued to grow its customer base of clients, and experienced a significant increase in customer activity in both its CFD business and in crypto currencies. In January 2018 the Company commenced a trial of a limited number of customers enabling them to buy the underlying stocks when investing with no leverage; with the intention to extend this to all customers on the completion of the trial. The Company is expecting a significant increase in customers during 2018.

The Company executes trades in an agency capacity, and uses an associate company, eToro (Europe) Limited, to execute its clients' trades, including to provide the automated execution of copy trades. eToro (Europe) Limited is incorporated in Cyprus and authorised and regulated by the Cyprus Securities and Exchange Commission (CySEC).

The Company's revenues are generated primarily from commission earned on contracts for differences, net of execution costs paid to the executing broker, and revenues received from parent company eToro Group Ltd ("eToro Group"), in respect of intermediary services and the recharge of marketing costs.

For further details, please refer to: https://www.etoro.com/

Review of the Business

The Company commenced trading in November 2016 and receives client trading commission, as well as payment for intermediary services from eToro Group. The result for the year ended December 31, 2017 is a profit of $142,106 (2016: $106,276).

DIRECTORS' REPORT (CONTINUED)

Dividends

No dividends were paid during the period, and the directors do not recommend the payment of a dividend.

Directors

The directors in office during the period and at the date of signing this report were as follows:

Jonathan Alexander Assia
Avi Sela
Anthony Stephen Wollenberg
Paul Chrimes
Robert Brown

Directors' liabilities

During the year the Company had in force an insurance policy in favour of its directors, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Political and charitable contributions

The Company made no political or charitable donations nor incurred any political expenditure during the year.

Going Concern

The Company's business activities are set out earlier in the Directors' Report. The Company at times relies on funding made available from the parent company, eToro Group Limited. The directors, including receiving confirmation from the parent company that it will continue to provide financial support, have satisfied themselves that there is no reason to believe that a material uncertainty exists that may cast significant doubt about the ability or willingness of the Parent to continue with the current financing arrangements. After making enquiries, the directors have a reasonable expectation that the Company and eToro Group Limited have adequate resources to continue in operational existence for the foreseeable future and that the Company has sufficient capital to meet its regulatory capital requirements for the next 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Strategic report

The Directors have taken advantage of the provisions of the Companies Act 2006 for small companies, in not preparing a Strategic Report.

Disclosure of information to the auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- each of the Directors has taken all the necessary steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

DIRECTORS' REPORT (CONTINUED)

Approved by the board of directors on April 23, 2018 and signed on behalf of the board:

Paul Chrimes
Director
April 23, 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Paul Chrimes
Director
April 23, 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ETORO (UK) LIMITED

Opinion

We have audited the financial statements of eToro (UK) Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst - Young LLP

Gary Adams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 April 2018

Notes:
1. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPREHENSIVE INCOME

in U.S. dollars

	Note	Year Ended December 31 2017	Year Ended December 31 2016
Net Trading Commissions	9	518,961	77,490
Intermediary Services	9	684,875	899,820
Trading Costs	9	(51,408)	(41,646)
Other Commissions	9	1,621,927	912,092
Net Income		2,774,355	1,847,756
Administrative and operating expenses	11	(2,674,218)	(1,726,842)
Operating Profit		100,137	120,914
Bank charges		(5,467)	(13,860)
FX gains / (losses)		47,436	(778)
Profit before tax		142,106	106,276
Tax		-	-
Net profit for the year		142,106	106,276
Total Comprehensive Income		142,106	106,276

There were no items recorded through Other Comprehensive Income in 2016 or 2017.

The accompanying notes on pages 15 to 34 are an integral part of the financial statements.

All activities were continuing in the current and prior periods.

STATEMENT OF FINANCIAL POSITION
REGISTERED NUMBER: 7973792

	Note	2017	2016
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	4	3,129,033	863,443
Amounts due from Related Parties	9	115,046	40,587
Other Receivables and prepaid expenses	5	16,588	162,731
		3,260,667	1,066,761
NON-CURRENT ASSETS:			
Property and equipment, net of depreciation	6	67,764	117,304
TOTAL ASSETS		3,328,431	1,184,065
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Accounts payable and accrued expenses	7	605,429	166,696
Amounts due to Related Parties	9	1,550,211	35,925
		2,155,640	202,621
NON CURRENT LIABILITIES:			
Accounts payable and accrued expenses	7	26,740	11,262
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Ordinary share capital	8	2,600,002	2,600,002
Capital Reserve for share-based payments		205,831	172,068
Retained deficit		(1,659,782)	(1,801,888)
Total equity		1,146,051	970,182
TOTAL LIABILITIES AND EQUITY		3,328,431	1,184,065

The accompanying notes on pages 15 to 34 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors on April 23, 2018 and signed on its behalf by:

Paul Chrimes
Director

STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary Share capital	Capital Reserve for share-based payments	Retained deficit	Total equity
Balance as of December 31, 2015		2,600,002	137,758	(1,908,164)	829,596
Issue of share capital		-	-	-	-
Share based payment compensation		-	34,310	-	34,310
Total Comprehensive income		-	-	106,276	106,276
Balance as of December 31, 2016		2,600,002	172,068	(1,801,888)	970,182
Issue of share capital		-	-	-	-
Share based payment compensation		-	33,763	-	33,763
Total Comprehensive income		-	-	142,106	142,106
Balance as of December 31, 2017		2,600,002	205,831	(1,659,782)	1,146,051

The accompanying notes on pages 15 to 34 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

	Note	December 31 2017	December 31 2016
Cash flows from operating activities:			
Net Profit		142,106	106,276
Adjustments to reconcile net income profit to net cash provided by operating activities:			
Depreciation	6	56,989	52,921
Share based payment compensation	8	33,763	34,310
(Increase) / decrease in Amount due from related parties		(74,459)	56,231
Decrease / (increase) in other receivables and prepaid expenses	5	146,143	(154,944)
Increase / (decrease) in Accounts payable and accrued expenses		454,211	(5,959)
Increase in Amount due to related parties		1,514,286	24,157
Net cash flow from operating activities		2,273,039	112,992
Cash flows from investing activities:			
Purchase of property and equipment		(7,449)	(67,430)
Net cash used in investing activities		(7,449)	(67,430)
Increase in cash and cash equivalents		2,265,590	45,562
Cash and cash equivalents at beginning of year	4	863,443	817,881
Cash and cash equivalents at end of year	4	3,129,033	863,443

The accompanying notes on pages 15 to 34 are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS
in U.S. dollars

NOTE 1:- GENERAL

a. Definitions:

In these financial statements:

The Company	- ETORO (UK) Limited
The Group	- eToro Group Limited, and subsidiaries
Related parties	- As defined in IAS 24.
Dollar	- U.S. Dollar.

As at December 31, 2017, the immediate and ultimate parent company was eToro Group Limited (Registered address: Waterfront Drive, Road Town, Tortola, British Virgin Islands VG1110).

b. Going Concern

The Company's business activities are set out earlier in the Directors' Report. The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company has sufficient capital to meet its regulatory capital requirements for the next 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

a. **Basis of presentation of the financial statements:**

The Company's financial statements have been prepared on a historical cost basis as modified by the revaluation of assets and liabilities held at fair value and on the basis of Company's accounting policies.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU.

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities and expenses and income. These estimates and underlying assumptions are reviewed regularly. Changes in accounting estimates are reported in the period of the change in estimate. In the Directors' view, other than the estimate for the Capital Reserve for Share based payments (refer to note 8), there are no other areas of significant judgment or estimate in the current or prior periods.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. Functional and foreign currencies:

1. Functional currency and presentation currencies:

The financial statements are presented in U.S. Dollars, which is the Company's functional currency.

The functional currency is the currency that best reflects the economic environment in which the Company operates and conducts its transactions and is used to measure its financial position and operating results.

2. Foreign currency transactions:

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date.

Exchange differences, other than those capitalized to qualifying assets or recorded in equity in hedging transactions, are recognized in profit or loss. Non-monetary assets and liabilities measured at cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined. USDGBP rate used as at December 31, 2017 was 1.35 (as at December 31, 2016 was 1.23).

c. Revenue Recognition:

Revenues earned by the Company are recognised on the following bases:

(i) Net Trading commissions

Revenue is recognised when the right to receive payment is established.

When trading as agent on behalf of clients, revenue includes the commission earned from contracts for differences, net of execution costs deducted by the executing broker.

(ii) Intermediary Services

Intermediary Service Fee is generally recorded on accrual basis over the period in which the services is being provided.

Intermediary Service Fee is between the Company and its Parent Company eToro Group Ltd. The Intermediary services include, amongst others, seeking and negotiating with customers who are interested in receiving financial services from the Company, and the provision of customer support. The Intermediary Service Fee is calculated so as to leave the Company with an operating profit margin, which may result in a fee payable by eToro Group Ltd to the Company.

(iii) Other commissions.

Other commissions are generally recorded on accrual basis over the period in which the services is being provided.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Other commissions include the recharge of marketing costs to eToro Group Ltd (refer also note 9), and fees charged to clients on the withdrawal of funds, markups applied on the conversion of deposits and withdrawals made in currencies other than US Dollars, and inactivity fees.

d. Trading costs

Trading costs consist of the cost of incentive bonuses and intercompany fees charged in respect of copytrading services charged by a related party (also refer note 9).
Incentive bonuses include: (1) incentive rebates given to clients with respect to transaction volume (representing discounts provided on commission revenues earned on such transactions), and (2) credits provided to clients that become redeemable and withdrawable by clients. The provision of these incentive bonuses were phased out during 2017.

The incentive bonuses are recognised in the financial statements when they become redeemable and withdrawable by the client. Copytrading services are accrued quarterly based on the value of services provided during each quarter.

e. Cash and cash equivalents:

Cash and cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition.

f. Property and equipment:

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. These assets are depreciated using the straight-line method over their estimated useful life:

Computers, Software and peripheral equipment	3 years
Furniture & office equipment	14 years

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate.

g. Provisions:

Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognized if there is a present obligation to transfer economic benefits, such as cash flows, as a result of past events and if a reliable estimate can be made at the balance sheet date. Provisions are estimated based on all relevant factors and information existing at the balance sheet date, and are typically discounted at the risk-free rate.

h. Share-based payment transactions:

eToro Group Limited, the Company's parent company, issues share options to employees and directors of the Company, and accordingly the Company recognizes the expense in its financial statements in accordance with the provisions of IFRS 2, "Share-Based Payments".

The cost of equity-settled transactions with employees is measured by reference at the fair value of the equity instruments granted at grant date. The fair value is determined by using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the instruments were granted.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The cost of equity-settled transactions is recognized, together with a corresponding increase in capital reserve, over the period during which the relevant employees and directors become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

i. Current income and deferred tax:

Tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case, it is also recognized directly in other comprehensive income or equity. The current income tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in countries where the Company operates and has a taxable presence.

- Deferred income tax is recognized in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.
- Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority and where there is an intention to settle the balances on a net basis.

j. Changes in accounting policies in view of the adoption of new standards:

New standards effective for the 2017 year included IAS 32 Financial Instruments: Presentation regarding Offsetting Financial Assets and Financial Liabilities, IAS 36 Impairment of Assets and IAS 39 Financial Instruments: Recognition and Measurement we noted none had a material impact on the current year financial statements.

k. Assessment of the impact regarding future changes to accounting standards

At the date of approval of these financial statements certain new standards, interpretations and amendments to existing standards have been published by the International Accounting Standards Board which were not yet effective.

The following amendments were endorsed by the EU during the year and have been adopted in these financial statements:

- Amendment to IAS 7, 'Statement of cash flows' on changes in liabilities arising from financing activities
- Amendment to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses

The adoption of these standards did not have a material impact on the results of the Company.

in U.S. dollars

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following standards and interpretations were issued by the IASB and IFRIC, but have not been adopted either because they were not endorsed by the EU at 31 December 2017 or they are not yet mandatory and the Company has not chosen to early adopt. The Company plans to adopt these standards and interpretations when they become effective. The impact on the Company's financial statements of the future standards, amendments and interpretations is still under review, and where appropriate, a description of the impact of certain standards and amendments is provided below:

International accounting standards and interpretations	Effective date
Amendment to IFRS 2, 'Share-based payment' on classification and measurement of share-based payment transactions	1 January 2018
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'	1 January 2018
IFRS 9, 'Financial instruments' on classification and measurement and amendments regarding general hedge accounting	1 January 2018
IFRS 15, 'Revenue from contracts with customers'	1 January 2018
IFRIC 23, 'Uncertainty over Income Tax Treatments'	1 January 2019

Based on Company assessment the implementation of IFRS 9 will have no impact on the results of the Company. In relation to the implementation of IFRS 15, after having evaluated the effects of the application of the new Standard, the Company believes that the adoption is not expected to have a material effect on the Company's financial statements.

The adoption of these standards did not have a material impact on the results of the Company.

l. Financial assets

The Company classifies its financial assets as loans and receivables, and comprise cash and cash equivalents, amounts due from related parties and other receivables. Management determines the classification of its financial assets at initial recognition. Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest rate method, with gains and losses recognised in finance income and expenses respectively.

A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or will be subject to a financial reorganisation and/or default on or be delinquent on its payment obligations are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the portion deemed recoverable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

m. Financial liabilities

The Company classifies its financial liabilities as either financial liabilities at amortised cost or financial liabilities at fair value through profit or loss. Financial liabilities at amortised cost are comprised of accounts payable, accrued expenses and amounts due to related parties. Financial liabilities at fair value through profit and loss include five years bonus recorded under non-current accounts payable and accrued expenses.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest rate method, with gains and losses recognised in finance income and expenses respectively.

Changes in the value of financial liabilities measured at fair value are recorded in the statement of comprehensive income, within administrative and operating expenses.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

NOTE 3:- RISK MANAGEMENT

The Company's business activities require a comprehensive and robust risk management framework to ensure risks are identified, measured, decided upon and monitored. The Company has given consideration to the following risks:

1. Credit risk:

Credit risk is defined as the risk to earnings or capital arising from an obligor's failure to meet the terms of any contract or to otherwise fail to perform as agreed. For instance, exposure to a counterparty with the potential to produce a significant amount of capital loss due to a bankruptcy or failure to pay.

The Company is exposed to banks with respect to the Company's own deposits and deposits of customer funds. The Company monitors its exposure to banks.

The Company is also exposed to its affiliate companies with respect to intercompany balances not cleared as of the balance sheet date. The Company monitors this exposure as well.

Management estimates that the credit exposure as at December 31, 2017 is equal to the carrying value of related assets, and no past-due assets nor impairment have been identified.

2. Market risk:

Market risk is the potential for loss resulting from unfavourable market movements, which can arise from changes in exchange rates or other market factors. The Company executes trades in an agency capacity, thus is not exposed to market risk in the instruments in which its customers trade.

3. 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.

The Group monitors and hedges transactional foreign currency risks including currency statement of financial position and future expected exposures.

FX translation differences booked in the Statement of Comprehensive Income for exposures for the year ended December 31, 2017 was $47,438 profit (2016: $778 loss).

The net foreign currency exposure of assets and liabilities denominated in currencies other than USD at December 31, 2017 was in USD equivalent $483,307 receivable (2016: $226,892 receivable).

The Company has considered movements in the GBP over the year ended 31 December 2017 and period ended 31 December 2016, and has concluded that a 10% movement in rate is a reasonable level to measure the risk of the Company. The impact on net profit and equity for the year ended 31 December is set out in the table below. There are also insignificant assets denominated in other non-USD currencies, which have an immaterial foreign currency exposure risk.

in U.S. dollars

NOTE 3:- RISK MANAGEMENT (Cont.)

	31 December 2017		31 December 2016	
	Increase / (decrease) Net Profit	**Equity**	**Increase / (decrease) Net Profit**	**Equity**
GBP weaken	(31,631)	1,114,420	(22,689)	806,907
GBP strengthen	31,631	1,177,682	22,689	992,871

This reflects foreigr exchange gains or losses on translation of GBP denominated receivables, payables and Cash & Cash Equivalents.

4. Interest rate risk:

Due to the current economic environment, and low interest rates, the Company does not generate material income from its bank balances. There are no interest bearing liabilities, and accordingly, the directors do not consider interest rate risk to be significant.

5. Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or other financial assets.
The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when they fall due.
Given the short-term nature of the Company's financial assets and liabilities, the Company has sufficient liquid assets available to meet its liabilities.
The analysis of the Company's financial assets and financial liabilities by remaining contractual maturity is presented below:

2017	On demand and up to one month $	Between one month and one year $	Between one and five years $	Over five years $	Total $
Financial Assets					
Cash and cash equivalents	3,129,033	-	-	-	3,129,033
Due from related Parties	435,865			-	435,865
Other receivables & prepaid expenses	16,588	-	-	-	16,588
Total financial assets	3,581,486	-	-	-	3,581,486
Financial Liabilities					
Payables & Accrued Expenses	605,429	-	26,740	-	632,169
Due to related Parties	1,871,030	-	-	-	1,871,030
Total financial liabilities	2,476,459	-	26,740	-	2,503,199
Net position	1,105,027	-	(26,740)	-	1,078,287

in U.S. dollars

NOTE 3:- RISK MANAGEMENT (Cont.)

2016	On demand and up to one month $	Between one month and one year $	Between one and five years $	Over five years $	Total $
Financial Assets					
Cash and cash equivalents	863,443	-	-	-	863,443
Due from related Parties	40,587	-		-	40,587
Other receivables & prepaid expenses	162,731	-	-	-	162,731
Total financial assets	1,066,761	-	-	-	1,066,761
Financial Liabilities					
Payables & Accrued Expenses	166,696	-	11,262	-	177,958
Due to related Parties	35,925	-	-	-	35,925
Total financial liabilities	202,621	-	11,262	-	213,883
Net position	864,140	-	(11,262)	-	852,878

6. Operational risk:

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company maintains appropriate systems and controls, including utilizing the "4-eyes" principle as well as commissioning external reviews, to minimize the risk of loss from operational risk.

The Company is highly dependent on outsourced services to its affiliate companies, and has systems and controls in place to provide oversight over, and to supervise, the outsourced units.

7. Compliance risk:

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts.

The Company takes its regulatory obligations very seriously, strives to ensure compliance at all times, and believes in an open and transparent dialogue with regulatory authorities.

in U.S. dollars

NOTE 3:- RISK MANAGEMENT (Cont.)

8. Capital adequacy:

The Company is required by the European Capital Requirements Regulation at all times to satisfy the following own funds requirements.

Common Equity Tier 1 Capital Ratio	4.5%
Tier 1 Capital Ratio	6.0%
Total Capital Ratio	8.0%

The Company is also required to assess its risks and any additional capital required to cover these risks (Pillar 2 capital requirement).

As of December 31, 2016 and 2017, the Company's regulatory capital was as follows:

	December 31 2017	December 31 2016
Regulatory Capital	798,114	691,838

Regulatory capital of the Company is comprised entirely of Common Equity Tier 1, being the Company's share capital. 2017 retained profits of $142,106 are not included within Regulatory Capital until they have been audited.

The Company has met its regulatory capital obligations throughout the period.

NOTE 4:- CASH AND CASH EQUIVALENTS

	December 31 2017	December 31 2016
Cash and cash equivalents	$3,129,033	$863,443

Cash is held in the UK with banks, or their subsidiaries, of investment grade.

As of December 31, 2017 segregated client funds in the amount of $6,829,210 (2016: $804,574) are recorded off-balance sheet and held with Coutts & Company.

The Directors and management of the Company regularly assess the credit worthiness of the banks with which cash is deposited.

in U.S. dollars

NOTE 5:- OTHER RECEIVABLES AND PREPAID EXPENSE

	December 31 2017	December 31 2016
VAT refund claim	6,382	137,867
Prepaid expenses	10,206	24,864
	16,588	162,731

NOTE 6:- PROPERTY AND EQUIPMENT

	Software & Computer equipment	Furniture & office equipment	Total
Cost			
Balance as at January 1, 2016	108,671	1,405	110,076
Additions	67,030	400	67,430
Balance as at December 31, 2016	175,701	1,805	177,506
Balance as at January 1, 2017	175,701	1,805	177,506
Additions	7,449	-	7,449
Balance as at December 31, 2017	183,150	1,805	184,955

	Software &Computer equipment	Furniture & office equipment	Total
Accumulated depreciation			
Balance as at January 1, 2016	7,158	123	7,281
Depreciation during the period	52,956	(35)	52,921
Balance as at December 31, 2016	60,114	88	60,202

in U.S. dollars

NOTE 6:- PROPERTY AND EQUIPMENT (Cont.)

Balance as at January 1, 2017	60,114	88	60,202
Depreciation during the period	56,862	127	56,989
Balance as at December 31, 2017	116,976	215	117,191
Depreciated balance			
Depreciated balance at December 31, 2016	115,587	1,717	117,304
Depreciated balance at December 31, 2017	66,174	1,590	67,764

The carrying amount of Property & Equipment is a reasonable approximation of fair value.

NOTE 7:- ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	December 31 2017	December 31 2016
Employee and payroll related*	503,728	119,513
Professional fees	112,527	54,794
Legal fees	-	3,294
Other payables	15,914	357
	632,169	177,958

*Including $26,740 non-current liability to employees (2016: $11,262) – refer to note 9.

The carrying amount of account payable is a reasonable approximation of fair value.

in U.S. dollars

NOTE 8:- EQUITY

Ordinary Share capital

	2017 Number of shares	2017 GBP	2016 Number of shares	2016 GBP
Allotted, called up and fully paid				
Ordinary shares of £1 each	1,649,698	1,649,698	1,649,698	1,649,698
		US$		US$
Issued and fully paid				
Balance at 1 January	1,649,698	2,600,002	1,649,698	2,600,002
Balance at 31 December	1,649,698	2,600,002	1,649,698	2,600,002

No dividends were paid since the day of incorporation, and directors do not recommend the payment of a dividend for the current period.

Capital Reserve for Share based payment

Share based payment compensation includes grants of share options of the parent Company eToro Group Limited, to the employees and directors of the Company.

The eToro Group Ltd. 2007 Employee Share Option Plan ("ESOP") was adopted by eToro Group on May 14, 2007. Effective as of October 10, 2013, Option allocations vest on quarterly basis following a one year cliff and all retention options vest on a quarterly basis. Options expire 10 years after the date of grant

The fair value of stock-based awards, granted in 2016 and 2017, was estimated using the Black & Scholes option-pricing model with the assumptions below. The significant inputs into the model are the share price at grant date, expected volatility, dividend yield, and annual risk-free interest rate. The volatility assumption is based on the historical 6 year average volatility of similar companies which are registered for trading. The risk-free interest rate represents the yield available on a US zero-coupon government bond on the date of grant for a term commensurate with the vesting period of the reward. :

	December 31 2017	December 31 2016
Weighted average expected term (years)	5.68	5.93
Interest rate	1.55%	1.503%
Volatility	68.77%	69.35%
Dividend yield	0%	0%

The compensation expenses in 2017 which amounted to US $33,763 (2016: $34,310), were recorded as payroll expenses.

in U.S. dollars

NOTE 8:- EQUITY (Cont.)

The changes in outstanding options were as follows:

	December 31 2017		December 31 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Options at beginning of year	54,499	8.55	45,000	-
Granted	12,000	8.55	29,000	8.55
Options relating to employee transfers	-	-	2,499	8.55
Exercised	-	-	-	-
Expired	(3,687)	8.55	-	-
Forfeited	(3,313)	8.55	(22,000)	8.55
Options outstanding at end of year	59,499	8.55	54,499	8.55
Options exercisable at end of year	36,187	8.55	27,377	8.55

The share based payments are recorded as a capital reserve as a deemed contribution from the parent company eToro Group Limited as there is no intention for payment to be made by the Company in respect of these options.

NOTE 9:- RELATED PARTIES

The following table provides the amounts of transactions with related parties:

	Year ended December 31 2017	Year ended December 31 2016
Income / (Expense)		
eToro (Europe) Limited (1) – Execution Fees (netted within trading commissions)	(345,975)	(51,660)
eToro Group Limited (2) – Intermediary Fees	684,875	899,820
eToro (Europe) Limited (1) – Copy Trading Fees (included in trading costs)	(13,117)	(3,911)
eToro Group Limited (2) – Marketing Service Fees (included in other commissions)	1,594,007	906,409
eToro Group Limited (2) – Share based payment compensation	(33,763)	(34,310)

in U.S. dollars

NOTE 9:- RELATED PARTIES (Cont.)

eToro Group Limited (2) – Customer Service Fees (note 11)	(6,249)	(4,536)
eToro Group Limited (2) – Software License Fees (note 11)	(27,000)	(27,000)
eToro (Europe) Limited (1) – Support Service Fees (note 11)	(119,682)	(85,322)
eToro (Europe) Limited (1) – Payment Service Fees (note 11)	(172,994)	(20,611)
	1,560,102	1,578,879

eToro (Europe) Limited - entity under common control (1)

eToro Group Limited - parent entity (2)

The following table provides the amounts due to/from related parties:

	December 31 2017	December 31 2016
eToro (Europe) Limited Payable - entity under common control (1)	(1,550,211)	(35,925)
eToro Group Limited Receivable - parent entity (2)	115,046	40,587
Net Payable/ Receivable	(1,435,165)	4,662

The amounts receivable (payable) to related parties were received in order to cover working capital needs and as part of intercompany agreements signed between the related parties above during 2016 and 2015.

During 2017 and 2016, no contracts of significance were entered into by the Company in which the Directors had a material interest, except as disclosed in the tables in this note 11.

Breakdown of the services given by each of the related parties:

(1) eToro (Europe) Limited (payable)

	December 31 2017	December 31 2016
Support Services Agreement	42,001	8,343
Payment Services Agreement	85,765	2,856
CopyTrading Services Agreement	5,047	381
Execution Services Agreement	2,119,379	24,345
Trading Services	(380,500)	-
Other	(321,481)	-
	1,550,211	35,925

in U.S. dollars

NOTE 9:- RELATED PARTIES (Cont.)

(2) eToro Group Limited (receivable)	December 31 2017	December 31 2016
Marketing Services Agreement	430,481	90,502
Intermediary Services Agreement	61,884	(48,127)
Software License Agreement	3,181	(1,788)
Trading Services	(380,500)	-
	115,046	40,587

Compensation for directors of the Company and key management personnel who have authority for planning, directing and controlling the Company:

	December 31 2017	December 31 2016
Wages / salaries / fees	455,503	382,491
Bonus	190,518	25,790
Social security	80,530	47,540
Pension Contributions	5,134	4,920
Share based payment compensation	38,538	17,834
	770,223	478,575

Certain directors of the Company benefit from an indemnification agreement with eToro Group Ltd whereby eToro Group Ltd will indemnify, and advance expenses on behalf of, the director to the fullest extent permitted by applicable law in respect of service to eToro Group Ltd and its subsidiaries.

The Company provides trading accounts to employees, and pays bonuses into these accounts which cannot normally be withdrawn. Employees that have completed 5 years of employment with the eToro Group, may, upon the meeting of certain volume requirements and subject to the Company's discretion, be able to use up to 100% of their equity in their trading accounts to exercise their vested stock options in eToro Group Ltd. The Group uses an internal model for calculating its liability to employees derived from this plan. As of December 31, 2017 the liability to employees is $26,740 (2016: $11,262). The key inputs into the valuation of the fair value of the trading accounts program plan are:

(a) the expected net worth amount at the end of 5 years which is set at 90% on a yearly basis;
(b) the exercise price of vested option which is set at $8.55;
(c) probability of reaching five years of employment and which is set at 49% on average. The higher the probability is the higher the liability is;
(d) time of employment as at the year-end date out of the five years which is measured on an individual basis The liability is categorized as level 3 in the fair value hierarchy.

Certain Directors have trading accounts with the company, in respect of which, the revenue earned by the company in respect of such accounts during the year totalled US$9,507.

The total emoluments of the highest paid director in 2017 were US$347,264, including an accrued bonus of US$60,977 as at 31 December 2017.

in U.S. dollars

NOTE 10:- COMMITMENTS AND CONTINGENT LIABILITIES

The Company had no commitments or contingent liabilities as at 31December 2017.

NOTE 11:- ADMINISTRATIVE AND OPERATING EXPENSES

Administrative and operating expenses included:

	December 31 2017	December 31 2016
Staff Costs	1,740,338	1,123,333
Professional services	192,042	61,462
Financial statements audit	70,851	40,650
Audit-related assurance services provided by the auditor	15,600	9,000
Taxation compliance services provided by the auditor	29,780	5,046
Other Services provided by the Auditors	1,297	31,547
Rent and property related expenses	181,417	191,186
Travel	17,387	24,031
Depreciation	56,989	52,922
Intercompany Fees (note 9)	325,925	137,469
Other	42,592	50,196
	2,674,218	1,726,842

Staff costs:

	December 31 2017	December 31 2016
Wages / salaries	864,790	894,804
Bonus	685,880	98,056
Social security	141,998	83,498
Pension Contributions	13,907	12,665
Share based payment compensation	33,763	34,310
	1,740,338	1,123,333

During the current year, the Company's directors received total emoluments in relation to services provided to the Company in the amount of $419,000 in salaries, bonuses and director fees (2016:$ 349,450), and an amount of $0 in pension schemes (2016: $2,540). During 2017 the parent company eToro Group Limited did not grant share options to the directors of the Company (2016: Nil). Average number of employees during the period was 12 (2016: 7).

NOTE 12:- Taxes On Income

Income statement

	31 December 2017	31 December 2016
UK current year current tax	-	-
Prior year adjustment current tax	-	-
Total current tax expense/(credit)	-	-
Origination and reversal of temporary differences	-	-
Prior year adjustment deferred tax	-	-
Total deferred tax expense/(credit)	-	-
Total tax expense/(credit) on continuing operations	-	-

in U.S. dollars

NOTE 12:- Taxes On Income (Cont.)

Total Tax Reconciliation

The effective tax rate (ETR) for the period is 0%. This can be explained as follows:

	31 December 2017	31 December 2016
Profit before tax	142,106	106,276
Tax on profit at the standard rate of UK corporation tax of 19.25% (2016: 20%)	27,355	21,255
Permanent differences- Disallowed expenses	(1,740)	4,098
Non-taxable income and gains	-	-
Temporary differences in respect of fixed assets	7,608	6,651
Temporary differences in relation to unsettled pension balances	1,118	(1,254)
Temporary differences in relation to share based payments	8,543	3,586
Temporary differences in relation to employees long term accruals	6,021	2,798
Adjustments in respect of prior periods	-	39
Other unrecognized deferred tax assets	(48,905)	(37,172)
Total tax charge/(credit)	-	-

Balance Sheet

	31 December 2017	31 December 2016
Current tax asset/(liability)	-	-
Deferred tax asset/(liability)	-	-

in U.S. dollars

NOTE 12:- Taxes On Income (Cont.)

The current UK corporation tax rate for the 2017 tax year is 19.25%. The rate will fall to 17% for the year beginning 1 April 2020. The deferred tax balances at 31 December 2017 have been stated at 17% (31 December 2016 20%).

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As at 31 December 2017 the company has an unrecognised deferred tax asset of $208,991 (2016: $314,575). The deferred tax asset has not been recognised as the business is in start-up phase, and therefore recognition of the deferred tax asset is not considered appropriate at this time.

The deferred tax asset that was not recognized in these financial statements is made up of the following:

	31 December 2017	31 December 2016
Deferred tax liability- differences between book value and tax value of fixed assets	(14,000)	(8,023)
Deferred tax asset - unsettled pension balance	987	60
Deferred tax asset - unsettled vacation & long term employees accruals	7,695	4,183
Deferred tax asset - share based payments	20,783	15,455
Deferred tax asset - unrecognised deferred tax on tax losses	193,526	302,900
Total unrecognised deferred tax asset	**208,991**	**314,575**

There is no expiry date to any of the temporary differences which generate (unrecognised) deferred tax.

in U.S. dollars

NOTE 12:- Taxes On Income (Cont.)

Reconciliation of the Company's movement in the deferred tax balance:

	31 December 2017	31 December 2016
Balance at the beginning of the year	314,575	384,278
Adjustment to tax in respect of prior years	(22,339)	(31,048)
Decrease in unrecognised deferred tax for the year	(83,245)	(38,655)
Unrecognised deferred tax asset at the end of the financial year	**208,991**	**314,575**

NOTE 13:- OPERATING LEASE COMMITMENTS

On May 23, 2017, the Company entered into a 12 month lease agreement at a rent of GBP 11,250 per month. The next roll-over date, from which the lease could be extended for a further 12 months, is May 22, 2018. Refer also to note 14.

NOTE 14:- EVENTS AFTER THE REPORTING DATE

On January 26, 2018 the Company entered into a 12 month lease agreement at a rent of GBP 22,500 per month with an option to terminate the agreement on 25 July 2018 with one months' prior notice, and at the same date terminated its existing lease agreement that was due to terminate on May 23, 2018.

On March 19, 2018, the Company issued 570,623 Ordinary shares of £1 each to its parent company, eToro Group Limited, which remitted USD 800,000 (£570,623) to the Company on March 21, 2018 in consideration.

There are no material events which occurred after the reporting date.