ETORO (UK) LIMITED

Annual report and statutory financial statements
31 December 2020
Registered no: 7973792

Contents

General information

Directors	Jonathan Alexander Assia Avi Sela Anthony Stephen Wollenberg Paul Andrew Chrimes Robert James Brown Shalom Berkovitz Lord Stanley Fink
Secretary	Kreeson Thathiah
Registered office	24th Floor One Canada Square Canary Wharf London E14 5AB
Auditors	Ernst & Young LLP 25 Churchill Place London E14 5EY
Solicitors	Ashurst London Fruit & Wool Exchange 1 Duval Square London E1 6PW
Principal banker	Coutts & Co 440 Strand London WC2R 0QS

Business overview

The rise of the retail investor

2020 will be remembered as the year of the retail investor. The rise in retail participation in capital markets is a paradigm shift that we like to think eToro has helped to fuel. Our vision since our founding has been to open up the global markets so that everyone can trade and invest in a simple and transparent way. Today, that vision is becoming a reality.

We are seeing a confluence of circumstances: zero (and negative) interest rates, an acceleration of digital transformation (driven by the Covid19 pandemic) and the lowering of the barriers to entry through automation, fractional shares and commission-free stock investing, all driving greater retail participation.

With strong brand awareness, a mobile first mindset and having offered commission-free, fractional stocks to clients since May 2019, eToro has been well placed to capitalise on this growing retail participation. As a pioneer of crypto, we have also benefited from the renewed interest in this increasingly mainstream asset class.

Strong global growth

In 2020, eToro Group welcomed over 5 million new registered users globally to the platform and at the time of writing we have over 20 million registered users globally. eToro generated total commissions of $602 million in 2020, representing year-on-year growth of 146%. Total commissions are comprised of commissions from trading activity, interest and other charges. This growth fuelled a rise in trading activity and we executed over 326 million trades globally in 2020, up from 91 million in 2019.

Our clients

The majority of new funded accounts globally in 2020 invested in commission-free stocks, crypto or to copy another investor on the platform. More than 60% of our users invest with us in more than one product type. We see a similar pattern in the UK.

Many of our clients are investing in household names whose products and services they use on a daily basis, such as Alphabet (Google) and Zoom. The five most bought stocks by investors globally on eToro in 2020 were: Nio, Tesla, Apple, Amazon and Palantir.

The median age of an eToro user globally is 34. Our global community remains 86% male, however, in 2020 we saw a small but, we hope significant, rise in the number of women coming to eToro. In 2020 we saw a 402% increase in women funding accounts globally compared with a 275% increase for men.

Growth for eToro UK

eToro (UK) Limited ("eToro UK" or the "Company") achieved net income of $41.9 m in 2020 up 717% from $5.1m in 2019. This increase in revenues was driven by a significant growth in our client base as a result of an influx of new UK users as well as the transfer of some existing clients from other eToro entities to our UK entity.

To support this growth, UK operating expenses increased by 602% to $39.8m up from $5.7m in 2019. $36.0m of these expenses can be attributed to eToro UK's share of support and intermediary services provided by the Group. Other increases in operating expenses included a rise in staff costs due to new hires in the growing UK team, higher professional services fees and an increase in clearing fees as a result of increased deposit volumes.

eToro UK's profit before tax for 2020 was $2.2m compared to an operating loss of $0.5m in 2019.

Business overview (continued)

Providing the right tools for the next generation of investors

As the retail investment market matures and platforms like eToro scale, we have an even greater responsibility to ensure that our users are well educated and aware of the risks.

This year we greatly expanded the eToro Trading School, providing people around the world with free online webinars and courses that teach them the basic tenets of trading and investing. In 2020, we held over 75 courses and webinars providing free training to over 14,000 people. We also launched a podcast providing our clients with a weekly update on global markets, which receives 1,250 downloads on average each week.

We will continue to grow our library of educational tools and to explore new channels to engage with our audience as we believe in giving people a choice of format for how they can educate themselves about financial markets.

Investing for the future

eToro's success in a crowded market is no accident. We are proud and excited to see more and more people embrace investing. We believe that the public should have a say in the public markets.

We've built an accessible platform to service our customers' long-term investing needs and user experience continues to drive innovation at eToro. We are excited that our UK users will be the first to experience our eToro Money debit card. The card will be launched in 2021 and will allow instant money in and money out account transfers for our clients.

We continue to invest in our user experience to strike the right balance between ease of use and functionality. People often cite the simple interface of our platform and our innovative features such as CopyTrading as reasons for using eToro over other providers. We are committed to continued investment in scaling our systems so they can support our ongoing growth and ensure we can provide the very best trading and investing experience for our users.

The UK remains a strategically important market for the eToro Group both in terms of client acquisition and as a source of talent. Our team on the ground in the UK has grown and we had 35 employees at the end of 2020, up from 25 in 2019 and at the time of writing this is already up to 45.

In March 2021, eToro Group announced that it has entered into a definitive business combination agreement with FinTech Acquisition Corp. V (NASDAQ: FTCV). Upon closing, the Company is expected to have an estimated implied equity value of approximately $10.4 billion. We are incredibly excited for the next stage in eToro's growth. Becoming a publicly traded company will support our continued expansion as a business. It will allow us to increase our market share, expand into new markets and continue to grow our innovative product offering to meet the evolving needs of our customers.

As a company, we will continue to be focused on our mission of empowering people around the globe to become better investors by providing them with the best possible tools to make informed and responsible investment decisions. While the opportunity for us as a business is great, the opportunities for our investors, and our customers, is even greater.

Shalom Berkowitz
Chief Executive Officer, eToro (UK) Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Each director of the Company has acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct, and;
- the need to act fairly as between members of the Company.

Each Director gave careful consideration to the factors set out above in discharging their duty under Section 172.

The following Section 172(1) statement is made on behalf of the Company in compliance with the Act.

Consequence of any long-term decisions

As part of the budgeting process, each year the Board undertakes a review of the Company's strategy and the business plan for the following year and beyond. This strategy helps form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company. In making decisions concerning the business plan and future strategy, the Board has regard to a variety of matters including the interests of various stakeholders, the consequences of these decisions in the long term and its long-term reputation.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). As a regulated entity, the Company is therefore required to gain a full understanding of all its risks and put in place a robust risk management and governance system which continually evolves. The Directors fulfil their duties partly though a governance framework that delegates day-to-day decision-making to senior management.

This framework involves a series of Committees including those whose explicit remit covers areas such as liquidity, capital and conduct and who are empowered to challenge business decisions against both short- and longer-term considerations.

The Company operates a Risk framework which includes forward looking key risk indicators and forecast metrics.

The Company measures the long-term consequence of its decisions when preparing forward looking financial planning, including considering stress events and other pressures as part of going concern, ICAAP and specific stress testing.

Interests of the Company's employees

The Company puts time and care into hiring decisions, taking a long-term approach.

Strategic report (continued)

Employees are offered opportunities for growth through on-the-job learning. We have a "grow from within" approach to the development of our people, with a focus on internal mobility across business groups and functions within the wider group.

Business relationships with suppliers, customers and others

Suppliers

The Company works hard to ensure that its suppliers feel fairly treated and relationships with them are actively managed. The aim is to have long-term relationships with key suppliers as this benefits the Company and the supplier - both financially and in less tangible ways when both parties share an understanding of the needs of the other.

The Board recognises and is committed to relevant national and international standards, which it expects suppliers to abide by, including those set out by the International Labour Organisation, the Bribery Act 2010 and the Equality Act 2010.

Customers

Brokerage is customer focussed, which why superior execution and superb customer service is central. The Company is always looking for new ways to strengthen customer offerings and is constantly engaging with customers to build even deeper relationships.

Regulators

The Company is subject to an extensive and supervisory regulatory framework.

This framework is principles based, with a key principle being the need for open and honest dialogue with regulators. The Board takes this responsibility seriously and as a result proactively engages with regulators such as the FCA on various matters, including forward-looking consultations on prospective regulatory changes.

Community and Environment

The Company's approach is to use its position of strength to create positive change for the people and communities in which it interacts. It wants to leverage its expertise and enable colleagues to support the communities around it.

Business Conduct

The Company seeks to operate with high ethical standards by conducting business activities in compliance with applicable legal and regulatory requirements and with internal policies governing behaviour and conduct. The Company undertakes and ongoing review of how evolving legislation, guidelines and best practices should be best reflected.

As part of this effort, all employees are mandated to complete various governance training seminars with recorded tests. These cover a range of recurring and bespoke topics such as anti-bribery and corruption (ABC) and market abuse.

Strategic report (continued)

With the application of the Senior Manager and Certification Regime, personal obligations with respect to conduct have come further into focus and the Company is required to certify that employees are fit and proper on an annual basis.

Acting fairly between shareholders

The Company has a single shareholder, being eToro Group Limited.

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 provides a multi-asset social investment network where clients can see, follow and copy other social investors and trade contracts for differences ("CFDs") in foreign exchange, commodities, indices, exchange traded funds ("ETFs"), stocks and cryptoassets. Clients also have the option to purchase the underlying asset in both stocks and cryptoassets.

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 customer's 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.

The Company executes trades with its retail and professional clients 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 revenue is generated from client commissions earned from buying and selling CFDs and purchasing the underlying assets. When a client opens a real cash equity position, the investment is executed by eToro (Europe) Limited and eToro (Europe) limited is the direct custodian to the client of the Company. eToro (Europe) Limited has entered into a sub-custody agreement with the Company and depending on the instrument invested into by the client, may choose to pass sub-custody to the Company on a matched-principal (back-to-back) basis. Revenue is also derived from eToro group companies, in respect of execution services and the recharge of costs for marketing and account management services provided to other group entities based on a profit split analysis.

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

Review of the business

During 2020, the Company recorded net income of $41.9m (2019: $5.1m) and a profit before tax amounting to $2.2m (2019: loss $0.5m).

Strategic report (continued)

eToro (UK) Limited 2020 inter-company revenues were generated from revenues received from eToro Ltd, in respect of the recharge of sales and marketing costs.

The result for the year ended 31 December 2020 is a net profit after tax of $1.8m (2019: loss $0.5m).

The increased profitability on the prior year is due to a significant increase in the client base. This is a direct result of increased promotional activity, direct client onboarding and the transfer of clients from other regulatory authorities to the UK regulated entity.

In 2020 (2019: nil) no additional capital was required to be injected into the Company.

Dividends

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

Shalom Berkovitz

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Shalom Berkovitz
Director
20 July 2021

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2020.

The directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Please refer to the Strategic report for further details on the Company's Section 172 disclosure.

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 Andrew Chrimes
Robert James Brown
Iqbal Gandham (Resigned 30 June 2020)
Shalom Berkovitz
Lord Stanley Fink (Appointed 1 March 2021)

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 donations or incurred any political expenditure during the year. The Company made $17,038 (2019: nil) in charitable donations. In 2020, a contribution of $319,072 (2019: $37,204) was made to GoodDollar Limited a non-profit initiative sponsored by the eToro Group.

Going Concern

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 requirements until 31 December 2023 which is a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Management continues to monitor the COVID-19 situation closely and assess whether any additional measures are required. If significant events do materially affect the operations of the Company, the directors are confident that the Company can take actions to limit exposures and liabilities. The most significant event risks posed by COVID-19 include the failure to attract new clients/loss of market share to competitors or an operational failure. The former risk is mitigated through the Group's strategy for market positioning, innovation, product offering and brand investment. The latter risk is mitigated through the Group's business continuity planning and internal controls.

Directors' report (continued)

Subsequent Events

In October 2020 the Financial Conduct Authority (FCA) announced a restriction on the sale of crypto derivatives to retail customers effective from January 6, 2021. As a result, the Company ceased all relevant activities from the effective date but retail customers with existing holdings can remain invested following the prohibition, until they choose to divest. There is no time limit on the latter and the FCA does not require nor expect the Company to close out retail consumers' positions unless the consumers ask for this.

The Company issued a perpetual capital note (the '"Note") in the amount of $22,846,980 on January 1, 2021 to eToro Group Ltd an affiliate company registered in the British Virgin Islands. The Note represents an injection of capital to meet the minimum regulatory capital requirements for financial year 2021. In 2020, the profitability of the company activated the intermediary fee (see note 2) which is a transfer pricing agreement for the allocation of group-wide costs. The fee increases the Company's fixed overhead requirement for financial year 2021 which in turn determines the Company's minimum regulatory capital.

In March 2021, eToro Group Ltd announced that it has entered into a definitive business combination agreement with FinTech Acquisition Corp. V (NASDAQ: FTCV). Upon closing, the Group is expected to have an estimated implied equity value of approximately $10.4 billion.

These events are considered as non-adjusting events and are therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2020.

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.

Approved by the board of directors on the 20 July 2021 and signed on behalf of the board:

Shalom Berkovitz

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Shalom Berkovitz
Director
20 July 2021

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) 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Shalom Berkovitz

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Shalom Berkovitz
Director
20 July 2021

Independent auditor's report to the members of eToro (UK) Limited

Opinion

We have audited the financial statements of eToro (UK) Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the period to 31 December 2023, being a period of at least twelve months from the date the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 contained with the annual report.
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.

Independent auditor's report to the members of eToro (UK) Limited (continued)

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 course of 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 themselves. 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have 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, 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 statement of directors' responsibilities set out on page 12, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, International Financial Reporting Standards, tax legislation (governed by HM Revenue and Customs) and the rules and regulations of the Company's primary regulator, the Financial Conduct Authority (FCA).
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our understanding by reviewing board meeting minutes and relevant policy and procedures manuals. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We considered the controls that the Company has established to address risks identified by the Company, or that otherwise seek to prevent, deter or detect fraud. This included assessing the impact of remote working due to COVID-19.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved inquires of executive management and those responsible for legal and compliance matters for their awareness of any non-compliance with laws and regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees; inquiring about the Company's methods of enforcing and monitoring compliance with such policies; inspecting complaints log and reviewing board minutes. We also tested controls and performed procedures to respond to the key risks identified, including testing journals that met specific risk criteria and incorporated an element of unpredictability in our testing.
- The Company operates in the financial services industry which is a highly regulated environment. As such, the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations, which included the use of experts where appropriate.

Independent auditor's report to the members of eToro (UK) Limited (continued)

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.

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.

Ernst & Young LLP

Hitesh Patel (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 July 2021

Statement of comprehensive income

	Note	Year Ended 31 December 2020 USD	Year Ended 31 December 2019 USD
Trading commissions	2	42,526,413	3,054,661
Trading costs	2	(5,774,764)	(78,382)
Other commissions	2	5,116,634	2,146,208
Net income		41,868,283	5,122,487
Administrative and operating expenses	12	(39,753,743)	(5,663,287)
Operating profit / (loss)		2,114,540	(540,800)
Bank charges		(23,257)	(12,870)
Interest income		17,778	14,925
FX gain		56,166	18,887
Profit / (loss) before tax		2,165,227	(519,858)
Tax	13	(358,911)	-
Net profit / (loss) for the year		1,806,316	(519,858)
Total comprehensive income / (loss)		1,806,316	(519,858)

The notes on pages 22 to 40 form part of these financial statements.

Balance sheet

	Note	As at 31 December 2020 USD	As at 31 December 2019 USD
Assets			
Current assets			
Cash and cash equivalents	5	16,913,654	3,817,773
Amounts due from related parties	10	3,640,926	1,833,523
Deferred tax asset	13	439,825	-
Corporation tax	13	-	106,620
Other receivables and prepaid expenses	6	13,282,027	6,413,388
		34,276,432	12,171,304
Non-current assets			
Property and equipment, net of depreciation	8	238,686	164,439
Total assets		34,515,118	12,335,743
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	7	1,320,143	1,007,380
Corporation tax	13	411,545	-
Amounts due to related parties	10	25,341,681	6,006,822
		27,073,369	7,014,202
Non-current liabilities			
Accounts payable and accrued expenses	7	7,670	16,109
Equity attributable to equity holders of the company			
Ordinary share capital	9	4,400,002	4,400,002
Capital reserve for share-based payments		812,133	489,802
Retained profit		2,221,944	415,628
Total equity		7,434,079	5,305,432
Total liabilities and equity		34,515,118	12,335,743

The notes on pages 22 to 40 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 20 July 2021 and were signed on its behalf by:

Shalom Berkovitz

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Shalom Berkovitz
Director

Statement of changes in equity

For the year ended 31 December

	Note	USD Ordinary share capital	USD Capital reserve for share-based payments	USD Retained profit	USD Total equity
Balance as at December 31, 2018		4,400,002	342,895	935,486	5,678,383
Share-based payment compensation	12	-	146,907	-	146,907
Total comprehensive income		-	-	(519,858)	(519,858)
Balance as at December 31, 2019		4,400,002	489,802	415,628	5,305,432
Share-based payment compensation	12	-	44,186	-	44,186
Deferred tax credited directly to equity		-	278,145	-	278,145
Total comprehensive income		-	-	1,806,316	1,806,316
Balance as at December 31, 2020		4,400,002	812,133	2,221,944	7,434,079

The notes on pages 21 to 40 form part of these financial statements.

Statement of Cash Flows

	Note	31 December 2020 USD	31 December 2019 USD
Cash flows from operating activities			
Net profit / (loss) before tax		2,165,227	(519,858)
Adjustments to reconcile net profit / (loss) before tax to net cash flows:			
Depreciation	8	88,953	38,495
Share-based payment compensation	9	44,186	146,907
Unrealised gain / loss		41,345	-
Interest received		(17,778)	(14,925)
Decrease / (increase) in the amounts due from related parties		(1,807,403)	3,460,850
Increase in other receivables and prepaid expenses	6	(6,868,639)	(2,211,264)
Corporation tax paid		-	(492,152)
Net foreign exchange differences		-	(292)
Increase / (decrease) in accounts payable and accrued expenses		304,324	241,528
Increase / (decrease) in amount due to related parties		19,334,859	974,396
Net cash inflow / (outflow) from operating activities		13,285,074	1,623,685
Cash flows from investing activities:			
Purchase of property and equipment	8	(163,200)	(155,210)
Net cash used in investing activities		(163,200)	(155,210)
Cash flows from financing activities:			
Interest received		17,778	14,925
Net cash used in financing activities		17,778	14,925
(Decrease) / increase in cash and cash equivalents		13,139,652	1,483,400
Net foreign exchange differences		(43,771)	292
Cash and cash equivalents at beginning of year	5	3,817,773	2,334,081
Cash and cash equivalents at end of year	5	16,913,654	3,817,773

The notes on pages 21 to 40 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2020

1. General

1.1 Definitions

In these financial statements:

The Company – eToro (UK) Limited
The Group – eToro Group Limited and subsidiaries
Related parties – As defined in IAS 24
Functional and presentational currency – U.S. Dollar

As at December 31, 2020, the immediate and ultimate parent company was eToro Group Limited (registered address: Waterfront Drive, Road Town, Tortola, British Virgin Islands VG1110).

1.2 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 requirements until 31 December 2023 which is a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Management continues to monitor the COVID-19 situation closely and assess whether any additional measures are required. If significant events do materially affect the operations of the Company, the directors are confident that the Company can take actions to limit exposures and liabilities. The most significant event risks posed by COVID-19 include the failure to attract new clients/loss of market share to competitors or an operational failure. The former risk is mitigated through the Group's strategy for market positioning, innovation, product offering and brand investment. The latter risk is mitigated through the Group's business continuity planning and internal controls.

2. Significant accounting policies

2.1 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 based on the Company's accounting policies.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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, 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.

Significant accounting policies (continued)

In the Directors' view, other than the estimate for the capital reserve for share-based payments (refer to note 9) and deferred tax (see note 13), there are no other areas of significant judgment or estimate in the current or prior periods.

2.2 Functional and foreign 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.

Transactions denominated in foreign currency (other than the functional currency) are recorded on initial recognition at the exchange rate at the date of the transactions. 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 capitalised to qualifying assets or recorded in equity in hedging transactions, are recognised 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 fair value was determined. The USD/GBP rate used as at December 31, 2020 was 1.37 (as at December 31, 2019 was 1.32).

2.3 Revenue recognition

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

(i) Trading commissions

Revenue is recognised when the right to receive payment is established. When trading on behalf of clients, including affiliated companies, revenue includes the commission earned from contracts for differences (CFDs), stocks and crypto assets, net of execution costs (if any) deducted by the executing broker. Where the executing broker is an affiliated company, execution costs are only payable if the Company records an operating profit before consideration of inter-company transactions. If the Company records an operating loss before inter-company transactions, any execution costs that would have been payable by the Company, are not payable until the Company records an operating profit before inter-company transactions.

(ii) Intermediary services

eToro Ltd (an associated company incorporated in Israel), continued to provide intermediary services to the Company throughout the year ended December 31, 2020. The intermediary services include, amongst others, seeking and negotiating with customers who are interested in receiving financial services from the Company. In 2020, the intermediary service fee was calculated so that the Company pays to eToro Ltd a percentage of its operating profit, based on an analysis of the Company's key functions and risks to the eToro group, but only to the extent that the Company records an operating profit before consideration of inter-company fees. If the Company records an operating loss before inter-company fees, any amount that would have been payable by the Company becomes payable only once the Company records an operating profit before inter-company fees. The intermediary service fee, to the extent payable, is generally recorded on an accrual basis over the period in which the services are being provided.

2. Significant accounting policies (continued)

(iii) Other commissions

Other commissions include commissions for marketing services provided by the Company to the group and is based on a distribution of global profit. It also includes fees charged to clients on the withdrawal of funds, mark-ups applied on the conversion of deposits and withdrawals made in currencies other than U.S. Dollars and inactivity fees. Other commissions are generally recorded on an accrual basis over the period in which the services are being provided.

2.4 Trading costs

Trading costs consist of the cost of incentive bonuses, other payments to clients and inter-company fees charged in respect of copy trading services provided by a related party (refer to note 10). Incentive bonuses include rebates given to clients with respect to transaction volume (representing discounts provided on commission revenues earned on such transactions) and credits that become redeemable and withdrawable by clients. The incentive bonuses are recognised in the financial statements when they become redeemable and withdrawable by the client. Copy trading services are accrued quarterly based on the value of services provided during each quarter.

2.5 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.

2.6 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 as per the below:

- Computers, software and peripheral equipment – three years; and
- Furniture and office equipment – fourteen 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.

2.7 Provisions

Provisions are liabilities involving uncertainties in the amount or timing of payments. Provisions are recognised 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.

2.8 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 recognises 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 to the fair value of the equity instruments at grant date. The fair value is determined using the Black-Scholes option pricing model, taking into account, the terms and conditions upon which the instruments were granted.

2. Significant accounting policies (continued)

The cost of equity-settled transactions is recognised 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 recognised 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.

2.9 Current income and deferred tax

Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case, it is also recognised 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 recognised 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 the transaction affects neither accounting nor taxable profit or loss.

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

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

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

2.10 Adoption and impact of new accounting standards and interpretations

During the current year, the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that were relevant to its operation and were effective for periods beginning on 1 January 2020. The only relevant standard during this period was IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The standard is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis. The impact of adopting the new standard did not have a material effect on the financial statements of the Company.

2.11 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 (IASB) which were not yet effective.

2. Significant accounting policies (continued)

The following standards and interpretations were issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) but have not been adopted either because they were not endorsed by the European Union (EU) at 31 December 2020 or they are not 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
Amendments to IAS 1: Presentation of Financial Statements	1 January 2023
Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets	1 January 2022

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

2.12 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. The Company applies IFRS 9 to the classification and recognition of its financial assets. These assets are initially recognised at their fair value being the costs to complete the transaction. Subsequent to initial recognition, financial assets are recognised at amortised cost using the effective interest rate method, less any impairment losses.

Under IFRS 9, impairment of a financial asset measured at amortised cost is calculated using the expected credit loss (ECL) model. The ECL allowance is based on the credit losses expected to arise over the life of the asset. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

2.13 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 at fair value are recorded in the statement of comprehensive income, within administrative and operating expenses.

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

2. Significant accounting policies (continued)

2.14 Significant judgement and estimates

In the Directors' view, other than the estimate for the capital reserve for share-based payments (refer to note 9), there are no other areas of significant judgement or estimate in the current or prior periods.

The accounting policies that are deemed critical to the Company's results and financial position in terms of the materiality of the items to which the policy is applied and which involve a high degree of judgement, including the use of assumptions and estimation are discussed below.

Going concern and operating environment of the Company

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 requirements until 31 December 2023 which is a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements..

Due to the fact that the Company's overall equity amounts to $7,434,079 (2019: $5,305,432) and the Company's profit after tax amount to $1,806,316 (2019: loss $519,858) the Board of Directors believes that the Company is able to manage its business risks successfully despite the current uncertain wider economic outlook. This is further supported by the $22.8m capital note issued by the Company with an effective date of 1 January 2021.

Thus, they adopt the going concern basis of accounting in preparing the annual financial statements.

Share-based payments

The Company participates in the eToro group's share-based scheme, whereby employees of the Company have an option to buy equity shares of the holding company at a discounted price in return for their services to the Company. The Employee Share Ownership Plan (ESOP) is entirely managed by eToro Group Ltd. The assumptions and estimates used to determine the cost to the Company are disclosed in note 9.

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.

3.1 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 exposed to third-party brokers with whom it executes trades on behalf of eToro (Europe) Ltd, an affiliated company. The Company monitors its exposure to third-party brokers. The Company is also exposed to its affiliate companies with respect to inter-company 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, 2020 is equal to the carrying value of related assets, and no past-due assets nor impairment have been identified.

3.2 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 either in an agency capacity or on a back-to-back matched principal basis and in either case is not exposed to market risk in the instrument in which its customers trade.

3.3 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.

Foreign exchange translation differences booked in the statement of comprehensive income for exposures for the year ended December 31, 2020 was $56,166 gain (2019: $18,887).

The net foreign currency exposure of assets and liabilities denominated in currencies other than USD as at December 31, was in USD equivalent:

	2020 USD	2019 USD
Net foreign currency exposure of assets and liabilities denominated in currencies other than USD as at December 31	6,958,800	1,447,452

3. Risk management (continued)

The Company has considered movements in the GBP exposure over the year ended 31 December 2020 and the period ended 31 December 2019 and has concluded that a 10% movement in the 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. This reflects foreign exchange gains or losses on translation of GBP denominated receivables, payables and cash and cash equivalents.

	2020 USD GBP weaken	2020 USD GBP strengthen	2019 USD GBP weaken	2019 USD GBP strengthen
Increase / (decrease) in net profit	(624,978)	624,978	(141,151)	149,784
Equity	6,809,101	8,059,057	5,164,282	5,455,218

3.4 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.

3.5 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.

3. Risk management (continued)

The analysis of the Company's financial assets and liabilities by remaining contractual maturity is presented below.

	USD	USD	USD	USD	USD
	On demand and up to one month	Between one month and one year	Between one and five years	Over five years	Total
2020					
Financial assets					
Cash and cash equivalents	16,913,654	-	-	-	16,913,654
Deferred tax	-	-	-	-	-
Due from related parties	3,640,926	-	-	-	3,640,926
Other receivables	13,282,027	-	-	-	13,282,027
Total financial assets	33,836,607	-	-	-	33,836,607
Financial liabilities					
Payables and accrued expenses	1,320,143	-	7,670	-	1,327,813
Due to related parties	25,341,681	-	-	-	25,341,681
Total financial liabilities	26,661,824	-	7,670	-	26,669,494
Net position	7,174,783	-	(7,670)	-	7,167,113
2019					
Financial assets					
Cash and cash equivalents	3,817,773	-	-	-	3,817,773
Due from related parties	1,833,523	-	-	-	1,833,523
Other receivables	6,520,008	-	-	-	6,520,008
Total financial assets	12,171,304	-	-	-	12,171,304
Financial liabilities					
Payables and accrued expenses	1,007,380	-	16,109	-	1,023,489
Due to related parties	6,006,822	-	-	-	6,006,822
Total financial liabilities	7,014,202	-	16,109	-	7,030,311
Net position	5,157,102	-	(16,109)	-	5,140,993

3.6 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 utilising the "4-eyes" principle as well as commissioning external reviews, to minimise 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.

3. Risk management (continued)

3.7 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.

3.8 Capital adequacy (unaudited)

The Company is required by the European Capital Requirements Regulation at all times to satisfy the following own fund 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 at December 31, the Company's regulatory capital was as follows.

	2020	2019
	USD	USD
Regulatory capital	6,621,946	4,815,630

Regulatory capital of the Company is comprised entirely of common equity tier 1, being the Company's share capital. The 2020 profit of $1,806,316 (2019: loss $519,858) is included within regulatory capital. The Company has met its regulatory capital obligations throughout the period.

4. Capital management

During 2020, the legal and regulatory framework under which the Company operated stipulated that the Company must maintain a minimum capital adequacy ratio of 8%. The method of calculation is set up by the relevant regulatory authority. The Company aims to always maintain a high capital adequacy ratio well above the required minimum. During 2020, the capital adequacy ratio was reported to the Company's regulatory authority on a quarterly basis.

The Company's objective when managing capital is to maintain an optimal capital structure that reduces the cost of capital, safeguards the Company's ability to continue as a going concern, meets regulatory capital requirements and enables appropriate returns to shareholders.

The Company's regulatory capital is made of tier 1 capital i.e., share capital and retained earnings. The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of the assets and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible co collateral or guarantees. The Company's capital adequacy ratio for the year ended 31 December 2020 complies with the regulatory capital requirements.

4. Capital management (continued)

The Company issued a perpetual capital note (the '"Note") on February 4, 2021 in the amount of $22,846,980, effective from January 1, 2021 to eToro Group Ltd an affiliate company registered in the

British Virgin Islands. The Note represents an injection of capital to meet the minimum regulatory capital requirements for financial year 2021. In 2020, the profitability of the company activated the intermediary fee (see note 2) which is a transfer pricing agreement for the allocation of group-wide costs. The fee increases the Company's fixed overhead requirement for financial year 2021 which in turn determines the Company's minimum regulatory capital.

5. Cash and cash equivalent

	2020	2019
	USD	USD
Cash at bank - own funds	16,913,654	3,817,773

Cash is held in the UK with banks or their subsidiaries of investment grade. The Directors and management of the Company regularly assess the credit worthiness of the banks with which cash is deposited.

6. Other receivables and prepaid expenses

	2020	2019
	USD	USD
Margin held with liquidity providers	12,841,109	6,209,652
Prepaid expenses	406,736	171,251
VAT refund claim	2,981	32,485
Other receivables	31,201	-
	13,282,027	6,413,388

Margin held with liquidity providers are receivable balances from payment service providers and a third-party broker.

7. Accounts payable and accrued expenses

	2020	2019
	USD	USD
Employee and payroll related*	761,193	642,060
Professional fees	335,494	288,307
Other payables	231,126	93,122
	1,327,813	1,023,489

*Includes $7,670 non-current liability to employees (2019: $16,109) – refer to note 10.

The carrying amount of the accounts payable and accrued expenses is a reasonable approximation of fair value.

8. Property and equipment

	USD	USD	USD
	Software & computer equipment	Furniture & office equipment	Total
Cost			
Balance as at 1 January 2019	228,945	1,805	230,750
Additions	130,284	24,926	155,210
Balance as at 31 December 2019	359,229	26,731	385,960
Balance as at 1 January 2020	359,229	26,731	385,960
Additions	163,200	-	163,200
Balance as at 31 December 2020	522,429	26,731	549,160
Accumulated depreciation			
Balance as at 1 January 2019	182,686	340	183,026
Additions	37,323	1,172	38,495
Balance as at 31 December 2019	220,009	1,512	221,521
Balance as at 1 January 2020	220,009	1,512	221,521
Additions	87,078	1,875	88,953
Balance as at 31 December 2020	307,087	3,387	310,474
Net book value			
Balance as at 31 December 2019	139,220	25,219	164,439
Balance as at 31 December 2020	215,342	23,344	238,686

Included in software and computer equipment if $100,000 carrying value of licence fees which has been fully depreciated (2019: $100,000). The carrying amount of property and equipment is a reasonable approximation of fair value.

9. Equity

9.1 Ordinary share capital

Ordinary share capital

	2020	2020	2019	2019
	Number of shares	GBP	Number of shares	GBP
Authorised, called up and fully paid				
Ordinary shared of £1 each	3,006,633	3,006,633	3,006,633	3,006,633

	2020	2020	2019	2019
	Number of shares	USD	Number of shares	USD
Issued and fully paid				
Balance at 1 January	3,006,633	4,400,002	3,006,633	4,400,002
Issued during the year	-	-	-	-
Balance at 31 December	3,006,633	4,400,002	3,006,633	4,400,002

9. Equity (continued)

The Company did not issue any shares in 2020 (2019: nil). No dividends were paid since the day of incorporation and the directors do not recommend the payment of a dividend for the current period.

9.2 Capital reserve for share-based payments

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

The fair value of share-based awards granted in 2020 and 2019 was estimated using the Black and Scholes option-pricing model with the assumptions below. The significant inputs into the model are the share price at the grant date, expected volatility, dividend yield and the annual risk-free interest rate. The volatility assumption is based on the historical six-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 grant date for a term commensurate with the vesting period of the award.

	2020	2019
Weighted average expected term (years)	6.11	5.87
Interest rate	1.30%	2.12%
Volatility	75.03%	53.40%
Dividend yield	0.00%	0.00%

The compensation expenses in 2020 which amounted to $44,186 (2019: $146,907) were recorded as payroll expenses.

The changes in outstanding options were as follows.

	2020 Number of options	2020 Weighted average exercise price (USD)	2019 Number of options	2019 Weighted average exercise price (USD)
Options at the beginning of the year	75,918	13.00	81,874	4.48
Dividend paid	-	-	-	-
Granted	3,250	26.80	7,000	26.80
Exercised	-	-	(8,831)	3.22
Expired	-	-	(1,875)	3.22
Forfeited	(18,000)	13.70	(2,250)	24.18
Options outstanding at the end of the year	61,168	13.53	75,918	13.00
Options exercisable at the end of the year	48,731	10.15	49,732	8.29

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.

10. Related parties

10.1 Transactions with related parties

The Company had transactions in the ordinary course of business with the following related parties:

- eToro (Europe) Limited – entity under common control;
- eToro Group Limited – parent entity;
- eToro Limited – entity under common control; and
- eToro Money UK Ltd – entity under common control

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

	2020 USD	2019 USD
Income / (expense)		
eToro (Europe) Limited - execution and shared services fees	(8,137,404)	144,426
eToro Limited - marketing service fees	(21,457,051)	1,738,323
eToro Group Limited - share-based payment compensation	(44,186)	(146,908)
eToro Group Limited - customer service	(1,468,846)	(26,744)
eToro Australia - account management	(781,469)	-
eToro X - wallet logistics service	(108,810)	-
eToro Group Limited - financial services	(877,282)	(59,411)
eToro Group Limited - software licence	(648,224)	(27,000)

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

	2020 USD	2019 USD
eToro (Europe) Limited receivable / (payable)	3,549,337	(6,006,822)
eToro Limited (payable) / receivable	(24,451,402)	1,625,168
eToro Group Limited receivable	72,024	208,355
eToro Money UK Ltd receivable	19,565	-
eToro Australia PTY Ltd payable	(781,469)	-
eToro X Ltd payable	(108,810)	-
Net receivable / (payable)	(21,700,755)	(4,173,299)

The amounts receivable / payable to related parties were received to cover working capital needs and as part of intercompany agreements signed between the related parties above during 2020 and 2019.

During 2020 and 2019, no contracts of significance were entered into by the Company in which the Directors has a material interest, except as disclosed in the tables in this note 10.

10. Related parties (continued)

A breakdown of the services provided by each of the related parties is presented below.

	2020 USD	2019 USD
eToro (Europe) Limited receivable / (payable)		
Execution services agreement	(4,895,985)	144,426
eToro Group Limited receivable / (payable)		
Software licence agreement	(648,224)	(27,000)
Trading services	(5,587,547)	(86,155)
	(6,235,771)	(113,155)
eToro Australia receivable / (payable)		
Account management	(781,469)	-
eToro X receivable / (payable)		
Wallet logistics service	(108,810)	-
eToro Limited receivable / (payable)		
Marketing services agreement	(21,457,051)	1,738,323

10.2 Key management and directors' compensation

Compensation for directors of the Company and key management personnel who have authority for planning, directing and controlling the Company was as follows.

	2020 USD	2019 USD
Wages / salaries / fees	229,255	463,616
Bonus	151,223	111,135
Social security	44,558	74,545
Pension contributions	4,590	8,193
Share-based payment compensation	35,538	89,010
	465,164	746,499

The total emoluments of the highest paid director in 2020 were $330,275 (2019: $440,188), including a bonus of $151,223 as at 31 December 2020 (2019: $100,000).

Certain directors of the Company benefit from an indemnification agreement with eToro Group Limited whereby eToro Group Limited 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 Limited 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 five years 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 Limited. The Group uses an internal model for calculating its liability to employees derived from this plan. As at 31 December 2020 the liability to employees is $7,670 (2019: $16,108).

10. Related parties (continued)

The key inputs into the valuation of the fair value of the trading accounts program are:

- The expected net worth amount at the end of five years which is set at 90% on a yearly basis;
- The exercise price of the vested options which is set at $8.55;
- The probability of reaching five years of employment and which is set at 49% on average. The higher the probability, the higher the liability; and
- Time of employment as at the year-end date out of the five years which is measured on an individual basis.

The liability is categorised as level three 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 $5,428 (2019: $4,555).

In 2020, a contribution of $319,072 (2019: $37,204) was made to GoodDollar Limited a non-profit initiative sponsored by the eToro Group.

10.3 Ultimate parent company and group companies

eToro Group Limited is the ultimate and immediate parent company of the Company and the largest and smallest group that prepares consolidated accounts.

11. Commitments and contingent liabilities

The Company has nil commitments or contingent liabilities as at 31 December 2020 (2019: nil).

12. Administrative and operating expenses

12.1 Administrative and operating expenses included:

	2020 USD	2019 USD
Staff costs	3,984,627	3,370,048
Depreciation	88,953	38,495
Rent and property related expenses	350,009	518,143
Travel	23,097	63,404
Audit fees		
- Financial statement audit	170,451	192,666
- Audit-related assurance services provided by the auditor	34,550	39,053
- Taxation compliance services provided by the auditor	41,236	1,500
- Other services provided by the auditor	5,837	-
Intercompany fees (note10)	30,597,773	113,155
Professional services	1,358,348	516,979
Other	3,098,862	809,844
	39,753,743	5,663,287

12. Administrative and operating expenses (continued)

12.2 Staff costs

	2020 USD	2019 USD
Wages / salaries	2,086,443	2,040,127
Bonus	1,356,140	793,849
Social security	431,411	332,441
Pension contributions	66,447	56,724
Share based-based payment compensation	44,186	146,907
	3,984,627	3,370,048

During the current year, the Company's directors received total emoluments in relation to services provided to the Company in the amount of $380,478 in salaries, bonuses and Directors' fees (2019: $574,750) and an amount of $4,590 in pension schemes (2019: $8,193). During 2020 the parent company eToro Group Limited granted no share options to the Directors of the Company (2019: nil). Average number of employees during the period was 29 (2019: 26).

13. Taxes on income

13.1 Income statement

	2020 USD	2019 USD
UK corporation tax charge - current year	497,708	-
UK corporation tax charge - prior year	20,457	-
Total corporation tax charge	518,165	-
Deferred tax - origination and reversal of timing differences	(148,066)	-
Deferred tax - effects of changes in tax rates	(11,188)	-
Total tax charge	358,911	-

13.2 Reconciliation of the total tax charge

The effective tax rate (ETR) for the period ended December 31, 2020 is 16.6% (2019: nil). This can be explained as follows.

Reconciliation of tax charge

	2020 USD	2019 USD
Profit / (loss) before tax	2,165,227	(519,858)
Tax on profit at the standard rate of UK corporation tax of 19% (2019: 19%)	411,394	(99,773)
Expenses not deductible	57,450	40,819
Deferred tax charged directly to equity	280,571	-
Effect of rate change	(11,188)	-
Deferred tax not recognised / (Previously unrecognised deferred tax now recognised)	(399,773)	58,954
Adjustment in respect of prior years	20,457	-
Total tax charge	358,911	-

13. taxes on income (continued)

13.3 Balance sheet

Balance sheet

	2020	2019
	USD	USD
Current tax asset / (liability)	(411,545)	106,620

On 3 March 2021, it was announced that from 1 April 2023, the main rate of corporation tax will increase to 25%. As this new law has not been substantively enacted at the balance sheet date, its effects are not included in the financial statements. However, if it is anticipated that the reversal of temporary differences will occur at this rate, the maximum impact on the quantum of the deferred tax asset will be $116,320.

On 11 March 2020 it was announced (and received Royal assent on 22 July 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate from 1 April 2020). The deferred tax balances included within the financial statements have been calculated with reference to the rate of 19% in accordance with IFRS.

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As at 31 December the company has recognised deferred tax asset of $439,825 (2019: unrecognised $102,777).

	2020	2019
	USD	USD
Deferred tax (liability) / asset - differences between the book value and the tax value of the fixed assets	(38,953)	(20,974)
Deferred tax asset on short term timing differences	478,778	70,309
Deferred tax asset - unrecognised deferred tax on tax losses	-	53,442
Total deferred tax asset	439,825	102,777

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

Reconciliation of the Company's movement in the deferred tax balance is as follows.

	2020	2019
	USD	USD
Balance at the beginning of the year	-	-
Adjustment to tax in respect of prior years	-	-
Increase / (decrease) in deferred tax for the year	439,825	-
Deferred tax asset at the end of the financial year	439,825	-

14. Operating lease commitments

On December 1, 2019, the Company entered into a twelve-month lease agreement at a rent of GBP 33,600 per month. The agreement was modified for rent relief in light of the impact of the COVID 19 pandemic, for a reduced rent of GBP 16,800 for a number of periods between June 1, 2020 and October 31, 2020 and an extension of the lease to the 31 January 2021. On February 1, 2021, the Company entered into a new twelve-month lease agreement at a rent of GBP 33,600 per month. These agreements account for the most significant portion of the operating lease commitments. The total future minimum lease payments under non-cancellable operating leases are due as follows.

	2020 USD	2019 USD
Less than one year	556,945	487,872
Two to five years	46,412	-

Operating lease payments of $340,106 (2019: $518,143) were charged to the income statement in the year.

15. Off balance sheet items

The Company is acting in a fiduciary capacity for clients executing trades on its platform. At 31 December, the total amount of clients' assets and clients' money administered by the Company were as follows.

	2020 USD	2019 USD
Clients' money		
Coutts & Co	62,059,747	3,705,378
Investec Bank	20,505,000	505,000
Standard Charted Bank	208,331	208,947
Signature bank	25,100,000	100,000
	107,873,078	4,519,325
Client custody assets		
Interactive Brokers	296,183,360	982,786

16. Events after the reporting date

In October 2020 the Financial Conduct Authority (FCA) announced a restriction on the sale of crypto derivatives to retail customers effective from January 6, 2021. As a result, the Company ceased all relevant activities from the effective date but retail customers with existing holdings can remain invested following the prohibition, until they choose to divest. There is no time limit on the latter and the FCA does not require nor expect the Company to close out retail consumers' positions unless the consumers ask for this. An assessment of the Company's current exposure appears to suggest that there will be little potential impact on future income. In fact, there is significant opportunity for the Company to acquire clients from competitors that currently only offer leveraged crypto products.

16. Events after the reporting date (continued)

The Company issued a perpetual capital note (the '"Note") in the amount of $22,846,980 on January 1, 2021 to eToro Group Ltd an affiliate company registered in the British Virgin Islands. The Note represents an injection of capital to meet the minimum regulatory capital requirements for financial year 2021. In 2020, the profitability of the company activated the intermediary fee (see note 2) which is a transfer pricing agreement for the allocation of group-wide costs. The fee increases the Company's fixed overhead requirement for financial year 2021 which in turn determines the Company's minimum regulatory capital.

In March 2021, eToro Group Ltd announced that it has entered into a definitive business combination agreement with FinTech Acquisition Corp. V (NASDAQ: FTCV). Upon closing, the Group is expected to have an estimated implied equity value of approximately $10.4 billion.

These events are considered as non-adjusting events and are therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2020.