

Registered number: 08261027

GMO-Z.COM TRADE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2017



GMO-Z.COM TRADE UK LIMITED

COMPANY INFORMATION

Directors	K Hyodo (resigned 31 August 2017) T Yamamoto T Ishimura M Funada (appointed 30 June 2017)
Registered number	08261027
Registered office	Becket House 36 Old Jewry London EC2R 8DD
Independent auditor	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Herts WD17 1HP

GMO-Z.COM TRADE UK LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13 - 22

GMO-Z.COM TRADE UK LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

Introduction

This document sets out the Strategic Report of GMO-Z.com Trade UK Limited (hereinafter referred to as "Z.com Trade" or "the Firm") for the year to 31 December 2017, and has been prepared in accordance with the Financial Reporting Council Guidance on the Strategic Report (January 2014)

Business review

Our Business

Z.com Trade is an on-line financial services business that offers clients non-advised, execution only, margined forex and contracts for difference (CFD) or financial spread betting trading services on a range of foreign currency pairs, indices and commodities. Z.com Trade acts as principle to each client trade and operates on a matched principal, back-to-back basis by instantaneously hedging client trades with the Firm's counterparties.

Z.com Trade is the first European subsidiary of GMO Financial Holdings Inc., which is the world's largest retail forex broker by volume, with over 500,000 traders choosing it for its award-winning service.

Our platforms

Z.com Trade uses liquidity sourced from top-tier liquidity providers, including firm liquidity from GMO CLICK Securities, the world's largest retail FX provider by volume, through the MT4 platform, which is broadly used by traders around the world, and offers a range of financial markets, including major, minor and exotic currency pairs, spot metals, indices and commodities. Our service offering was strengthened in 2017 with the addition of our trading server in London, resulting in greatly improved execution speeds and performance for our European based clientele.

Business Model

Z.com Trade's business model maximises the use of the specialist skills and experience within the Group and Z.com Trade outsources certain functions to other Group entities under service level agreements: IT services to GMO Financial Holdings Inc., Japan and certain customer service and operations functions to GMO-Z.com Bullion HK Limited.

Geographical Reach

Z.com Trade accepts clients from a number of regions around the world, however greater emphasis has been placed on Europe for FY2017 and improving the performance of our technology for clients based in this region.

Our Objectives

Client Services: Clients are at the heart of our business. We will strive for excellence in our client support services ensuring that we continually and consistently deliver fair outcomes to our clients. We recognise that client trust is a key factor in maintaining a loyal client base and that this will contribute towards long-term value for our business and shareholders.

Innovation: With access to the extensive technical skills within the GMO Internet Group, we will continually evolve and improve our client offering.

Pricing: The cost of trading is one of the most important elements to our stakeholders. Z.com Trade aims to provide pricing which merits both our traders and affiliates while keeping operation costs low, in order to bring about overall benefits to all stakeholders involved.

Achieving our Objectives

Risk Management: Risk appetite is controlled via strong governance and oversight, within defined risk parameters approved by the Board.

GMO-Z.COM TRADE UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2017

Financial strength: Z.com maintains a capital and liquidity structure that is appropriate for the current size and structure of the Firm, and for the future security, growth and success of our business.

People: Z.com is committed to the recruitment of skilled and experienced people who have the determination and vision to help us build our Firm into a market leader. Developing, retaining and motivating people are keys to our delivery of standout customer service, products and trading capabilities.

BUSINESS ENVIRONMENT

Market Overview

We launch into a highly competitive market where long established competitors hold substantial market share. Our strategy for acquiring and retaining clients will focus on tight pricing, superior client service and providing market-leading platforms. Enhancements will be developed using feedback gathered directly from clients ensuring that we are giving our clients trading environments that suit them best.

- Pillar 3 Disclosures
- Principle Risks and Uncertainties
- Capital Adequacy
- Liquidity
- Stress testing and scenario analysis

Environmental Matters

Z.com Trade's main impact on the environment, aside from the power unavoidably required to operate our on-line business and service our office, is air travel to and from the Firm's parent company in Japan and its sister company in Hong Kong. Travel is minimised by the use of electronic communication methods such as email and holding the majority of meetings using Skype.

To the highest extent possible, the Z.com Trade office and client communications operate under a "paper free environment" principle. This policy is in place in order to provide the greatest extent of client data protection and to minimise the Firm's impact on the environment.

Our People

We believe that our company's most important resource is its people. We strive to offer a nurturing and motivating environment where each employee can develop his/her skills to the fullest. We encourage our employees to put forward innovative ideas and work with us for the improvement of our products and services. We encourage our employees to engage with us in a free and open manner on any subject or issue. We believe that, through a common dynamic spirit, the Firm, as a whole, can achieve extraordinary things.

Employment Opportunities and Diversity

Z.com Trade is committed to promoting equal opportunities in employment. Our employees and any job applicants receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. Z.com Trade will not tolerate any form of discrimination, nor bullying or harassment. Our Equal Opportunities Policy, and our Bullying, and Harassment Policy form part of our Staff Handbook which is available to staff at all times on-line.

GMO-Z.COM TRADE UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017**

BUSINESS PERFORMANCE

Operating Expenses

Trade income increased to £1,365,396 (Year ended 31 March 2017: £406,542). Total administrative costs show reduction £1,814,760 (Year ended 31 March 2017: £2,258,788) due to period change, having shorter periods April to December 2017.

Profit for the Year

Z.com Trade made pre-tax losses of £438,368 (Year ended 31 March 2017: £1,840,388). This reduced loss due to significant growth in revenue during this period.

Balance Sheet

During FY2017, there were the normal assets carried by the daily business in the organization, no significant changes incurred

LOOKING FORWARD

FY2018 will be an exciting year for Z.com Trade, as we have seen continuous increase in both client numbers and trading volumes thanks to the change in our marketing strategy brought in late FY2016.

Z.com Trade has set its target on delivering high quality trading services, focused on the speed and quality of execution we offer, and to expand our service offering and coverage to meet the needs of institutional clients.

This report was approved by the board and signed on its behalf.

石村 富隆

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T Ishimura
Director

Date: 23rd February 2018

GMO-Z.COM TRADE UK LIMITED

**DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2017**

The Directors present their report and the financial statements for the period ended 31 December 2017.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 to 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.

Results and dividends

The loss for the period, after taxation, amounted to £438,368 (2017 - loss £1,840,388).

No dividends were paid or proposed during the year (2017: £nil).

Directors

The Directors who served during the period were:

K Hyodo (resigned 31 August 2017)
T Yamamoto
T Ishimura
M Funada (appointed 30 June 2017)

GMO-Z.COM TRADE UK LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2017

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Hillier Hopkins LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

石村 富隆

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T Ishimura
Director

Date: 23rd February 2018

GMO-Z.COM TRADE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GMO-Z.COM TRADE UK LIMITED

Opinion

We have audited the financial statements of GMO-Z.com Trade UK Limited (the 'Company') for the period ended 31 December 2017, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 United Kingdom, including the Financial Reporting Council'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

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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion

GMO-Z.COM TRADE UK LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GMO-Z.COM TRADE UK LIMITED
(CONTINUED)**

on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the 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 the 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 Directors' responsibilities statement on page 4, 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.

GMO-Z.COM TRADE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GMO-Z.COM TRADE UK LIMITED
(CONTINUED)

Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Hillier Hopkins LLP

Simon Speller FCA (Senior statutory auditor)

for and on behalf of

Hillier Hopkins LLP

Chartered Accountants

Statutory Auditor

Radius House

51 Clarendon Road

Watford

Herts

WD17 1HP

Date: *23rd February 2018*

GMO-Z.COM TRADE UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	9 months ended 31 December 2017 £	Year ended 31 March 2017 £
Turnover	4	1,365,396	406,542
Gross profit		1,365,396	406,542
Administrative expenses		(1,814,760)	(2,258,788)
Operating loss	5	(449,364)	(1,852,246)
Interest receivable and similar income	9	10,996	11,858
Loss before tax		(438,368)	(1,840,388)
Loss for the financial period		(438,368)	(1,840,388)

There was no other comprehensive income for 2017 (2017:£NIL).

GMO-Z.COM TRADE UK LIMITED
REGISTERED NUMBER: 08261027

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	31 December 2017 £	31 March 2017 £
Fixed assets			
Tangible assets	11	7,885	4,166
		<u>7,885</u>	<u>4,166</u>
Current assets			
Debtors: amounts falling due within one year	12	1,204,533	867,821
Cash at bank and in hand	13	1,671,893	2,450,652
		<u>2,876,426</u>	<u>3,318,473</u>
Creditors: amounts falling due within one year	14	(290,987)	(290,947)
Net current assets		<u>2,585,439</u>	<u>3,027,526</u>
Total assets less current liabilities		<u>2,593,324</u>	<u>3,031,692</u>
Net assets		<u>2,593,324</u>	<u>3,031,692</u>
Capital and reserves			
Called up share capital	16	9,000,000	9,000,000
Profit and loss account	17	(6,406,676)	(5,968,308)
		<u>2,593,324</u>	<u>3,031,692</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

石村 富隆

T Ishimura
 Director

Date: 23rd February 2018
 The notes on pages 13 to 22 form part of these financial statements.

GMO-Z.COM TRADE UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2016	9,000,000	(4,127,920)	4,872,080
Loss for the year	-	(1,840,388)	(1,840,388)
At 1 April 2017	9,000,000	(5,968,308)	3,031,692
Loss for the period	-	(438,368)	(438,368)
At 31 December 2017	<u>9,000,000</u>	<u>(6,406,676)</u>	<u>2,593,324</u>

GMO-Z.COM TRADE UK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

	31 December 2017 £	31 March 2017 £
Cash flows from operating activities		
Loss for the financial period	(438,368)	(1,840,388)
Adjustments for:		
Depreciation of tangible assets	3,920	4,043
Interest received	(10,997)	(11,858)
Decrease/(increase) in debtors	49,974	(109,561)
(Increase) in amounts owed by groups	(386,685)	(158,507)
Increase in creditors	11,707	130,194
(Decrease)/increase in amounts owed to groups	(11,667)	29,063
Net cash generated from operating activities	(782,116)	(1,957,014)
Cash flows from investing activities		
Purchase of tangible fixed assets	(7,641)	(5,811)
Interest received	10,997	11,858
Net cash from investing activities	3,356	6,047
Net (decrease) in cash and cash equivalents	(778,760)	(1,950,967)
Cash and cash equivalents at beginning of period	2,450,653	4,401,619
Cash and cash equivalents at the end of period	1,671,893	2,450,652
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	1,671,893	2,450,652
	1,671,893	2,450,652

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017

1. General information

GMO-Z.com Trade UK Limited is a limited company incorporated in the United Kingdom, registered office Becket House, 36 Old Jewry, London, EC2R 8DD. The principal activity of the company is included within the Business Review section of the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Turnover represents the difference between the total value of profitable trades and the total value of loss making trades (including open market positions and net brokerage costs or gains to hedge) and interest receivable on client's money by the company during the year.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- Over the term of the lease
Office equipment	- Straight line over 3 years
Computer software and equipment	- Straight line over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.4 Debtors

Short term debtors are measured at transaction price, less any impairment.

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.6 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

2.7 Creditors

Short term creditors are measured at the transaction price.

2.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.9 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.10 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.12 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgments or estimations are necessarily applied are summarised below.

Valuation of open positions

The open positions as at the year end are calculated based on the amount deposited and withdrawn during the year, amended for any foreign exchange movements and converted to GBP for the year end exchange rate.

Deferred tax

Deferred tax assets are raised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. Assessment of future taxable profit is performed at every reporting date, in the form of future cash flows using a suitable growth rate.

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	9 months ended 31 December 2017 £	Year ended 31 March 2017 £
UK Sales	<u>1,365,396</u>	<u>406,542</u>
	9 months ended 31 December 2017 £	Year ended 31 March 2017 £
United Kingdom	<u>1,365,396</u>	<u>406,542</u>
	<u>1,365,396</u>	<u>406,542</u>

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	9 months ended 31 December 2017 £	Year ended 31 March 2017 £
Depreciation of tangible fixed assets	3,920	4,043
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	13,000	13,000
Exchange differences	66,918	43,486
Defined contribution pension cost	<u>2,295</u>	<u>-</u>

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

6. Auditor's remuneration

	9 months ended 31 December 2017 £	<i>Year ended 31 March 2017 £</i>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	13,000	13,000
	13,000	13,000
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	2,000	1,500
All other services	500	500
	2,500	2,000

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	9 months ended 31 December 2017 £	<i>Year ended 31 March 2017 £</i>
Wages and salaries	338,528	423,526
Social security costs	14,792	24,251
Cost of defined contribution scheme	2,295	-
	355,615	447,777

The average monthly number of employees, including the Directors, during the period was as follows:

	9 months ended 31 December 2017 No.	<i>Year ended 31 March 2017 No.</i>
Employees	10	9
	10	9

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

8. Directors' remuneration

	9 months ended 31 December 2017 £	Year ended 31 March 2017 £
Directors' emoluments	<u>136,290</u>	<u>144,701</u>

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £687 (2017 - £NIL)

9. Interest receivable

	9 months ended 31 December 2017 £	Year ended 31 March 2017 £
Other interest receivable	<u>10,996</u>	<u>11,858</u>

10. Taxation

At the balance sheet date, the company has losses c/f of £6,389,708 (2017: £5,955,536) to be used against future trade profits of the company. No deferred tax asset has been recognised as the timing of the company becoming profitable cannot be predicted.

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

11. Tangible fixed assets

	Leasehold improvements £	Office equipment £	Computer software and equipment £	Total £
Cost or valuation				
At 1 April 2017	-	10,431	5,826	16,257
Additions	3,274	4,367	-	7,641
At 31 December 2017	<u>3,274</u>	<u>14,798</u>	<u>5,826</u>	<u>23,898</u>
Depreciation				
At 1 April 2017	-	7,765	4,326	12,091
Charge for the period on owned assets	1,364	1,431	1,125	3,920
At 31 December 2017	<u>1,364</u>	<u>9,196</u>	<u>5,451</u>	<u>16,011</u>
Net book value				
At 31 December 2017	<u>1,910</u>	<u>5,602</u>	<u>375</u>	<u>7,887</u>
At 31 March 2017	<u>-</u>	<u>2,666</u>	<u>1,500</u>	<u>4,166</u>

The net book value of land and buildings may be further analysed as follows:

	31 December 2017 £	31 March 2017 £
Short leasehold	<u>1,910</u>	<u>-</u>

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

12. Debtors

	31 December 2017 £	31 March 2017 £
Amounts owed by group undertakings	999,271	612,586
Other debtors	150,023	220,552
Prepayments and accrued income	55,239	34,682
	<u>1,204,533</u>	<u>867,820</u>

13. Cash and cash equivalents

	31 December 2017 £	31 March 2017 £
Cash at bank and in hand	1,671,893	2,450,652

14. Creditors: Amounts falling due within one year

	31 December 2017 £	31 March 2017 £
Trade creditors	55,440	8,328
Amounts owed to group undertakings	108,638	120,305
Other taxation and social security	13,193	7,314
Pension	589	-
Accruals and deferred income	113,127	155,000
	<u>290,987</u>	<u>290,947</u>

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017**

15. Financial instruments

	31 December 2017 £	31 March 2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	1,671,893	2,450,652
Financial assets that are debt instruments measured at the undiscounted amount	1,149,294	833,139
	2,821,187	3,283,791
Financial liabilities		
Financial liabilities measured at the undiscounted amount	(277,794)	(283,633)
	(277,794)	(283,633)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at the undiscounted amount comprise trade and other debtors and amounts owed by group undertakings.

Financial Liabilities measured at the undiscounted amount comprise trade and other creditors and amounts due to group undertakings.

16. Share capital

	31 December 2017 £	31 March 2017 £
Shares classified as equity		
Allotted, called up and fully paid		
9,000,000 Ordinary shares of £1 each	9,000,000	9,000,000
	9,000,000	9,000,000

17. Reserves

Profit & loss account

Profit and loss account includes all the current and prior period retained profits and losses.

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2017

18. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2017 £	31 March 2017 £
Not later than 1 year	<u>72,402</u>	<u>51,876</u>

19. Related party transactions

The company has taken the exemption provided by FRS102, Section 33, to not disclose related party transactions with its group headed by its ultimate parent company, GMO Internet, Inc. on the basis that consolidated accounts are prepared. These accounts are available to the public and may be obtained from Creulean Tower 4 & 6-12F, 26-1 Sakuragaokacho, Shibuya ku, Tokyo, Japan.

20. Controlling party

The immediate parent company is GMO Click Holdings, Inc, a company registered in Japan.

The ultimate parent company is GMO Internet, Inc, a company registered in Japan. In the opinion of the directors, there is no ultimate controlling party.

INTRODUCTION

This document sets out the Pillar 3 market disclosures of GMO-Z.com Trade UK Limited (hereinafter referred to as “Z.com Trade” or “the Firm”). Z.com Trade is regulated by the Financial Conduct Authority (FCA) as an IFPRU €125K limited licence investment firm, authorised to hold client money and to trade as principle in specific financial instruments on a matched principle basis. Our FCA registration number is 802627. For more information about our trading activities and business model, please see the Strategic Report.

There are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resources, or repayment of liabilities.

OVERVIEW

The Capital Requirements directive IV (CRD IV) of the European Union which came into force on 1st January 2014, created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. The rules are set out in the CRD under three pillars:

- Pillar 1 sets out the minimum capital resource requirement that firms are required to maintain to meet credit, market and operational risks.
- Pillar 2 requires firms to assess the firm-specific risks not covered by Pillar 1 and, where necessary, maintain additional capital.
- Pillar 3 requires firms to disclose information regarding their risk assessment process and capital resources with the aim of encouraging market discipline by allowing market participants to assess key information on risk exposure and the risk assessment process.

The rules in the PRA and FCA Prudential Sourcebook for Investment Firms (IFPRU) set out the provision for Pillar 3 disclosure. Pillar 3 also incorporates the provisions of Systems and Controls (SYSC 19A) in respect of remuneration. This document is designed to meet Z.com Trade’s Pillar 3 disclosure obligations.

Z.com Trade will omit any information it deems as immaterial to the extent that the omission or misstatement of the information would not change or influence the assessment or decision of the user of the information.

FREQUENCY & VERIFICATION OF DISCLOSURES

Z.com Trade will disclose Pillar 3 information on an annual basis within the Z.com Trade Annual Report. The Board of Z.com Trade approves Pillar 3 disclosures. Such disclosures are not subject to external audit except where they are equivalent to those prepared under accounting requirements for inclusion in the Financial Statements. Internal audit is provided by and overseen by Z.com Trade’s parent company, GMO CLICK Holdings Inc. and is carried out on their behalf by Ernst and Young.

RISK MANAGEMENT & GOVERNANCE

Z.com Trade’s day-to-day business activities naturally expose the Firm to risks. Whilst it is not possible to limit or eradicate all risks, Z.com Trade’s risk management framework is designed to ensure that the Firm is able to identify, manage and monitor its risks in accordance with its risk appetite to keep risks at acceptable levels. The Board of Z.com Trade, through the Risk Committee, is ultimately responsible for the implementation of an appropriate risk strategy, defining the Firm’s risk appetite and the establishment of effective systems and controls. At this early stage in the Firm’s development, the Board meet formally on a quarterly basis to discuss Z.com Trade’s performance and to review whether the Firm has operated within its risk parameters.

Although GZUK is not of the scale or complexity that would normally require a Risk Committee, the Board considers its approach to risk management fundamental to the Firm’s growth and development. It has therefore appointed a Risk Committee. The Risk Committee comprises of senior management and management level representatives from key areas of the business:

The Risk Committee is tasked by the Board to:

- Identify all types of risk
- Find ways of mitigating or eliminating risk completely
- Monitor the adoption of risk policies
- Review the effectiveness of internal controls
- Ensure compliance with regulatory and legal requirements
- Nominate teams to assess project risks
- Report to the Z.com Trade Board.

The key tool used by the Risk Committee is the Risk Matrix and this provides a framework for senior management to recognise risks and their consequences as they apply to the various business processes in different parts of the Firm.

PRINCIPLE RISKS & UNCERTAINTIES

IFPRU 2.2.7 (2) of the *FCA Handbook* refers to the identification and management of major sources of risk in specific categories where they are relevant to the Firm given the nature and scale of its business. The follow risk categories are considered by the Firm:

- Credit and Counterparty Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Concentration Risk
- Business Risk
- Group Risk

In terms of the remaining risk categories listed in IFPRU 2.2.7 (2):

- Pension Obligation Risk: GCUK does not currently operate a pension scheme.
- Residual Risk, Securitisation Risk, Interest Rate Risk and Risk of Excessive Leverage: Do not apply given the nature of Z.com Trade's business model.

Having considered a wide range of risks through the Firm's risk management framework, the principle risks in normal operating conditions identified by the Firm are:

Strategic Risk	The risk of an adverse impact resulting from the Firm's strategic decision-making: Failure to develop and implement goals/strategies that support Z.com Trade's vision; failure to exploit strengths or to take opportunities	The Board of Z.com Trade is responsible for setting business strategy and maintaining oversight of strategic risks. The Directors of Z.com Trade will meet on a regular basis to discuss current performance against forecasts and review business developments. Financial forecasts project three years forward and will be reviewed and revised on a quarterly basis.
Business Continuity: IT Infrastructure	The Firm will rely on automated trading systems to execute all transactions and therefore there is a considerable risk regarding the integrity, availability, and confidentiality of key systems.	Z.com Trade manage business continuity risks through robust, business continuity and disaster recovery policies and procedures both at Z.com Trade and at our Group outsourced service providers under service level agreements. Such is underpinned by review, testing, training and awareness.
Credit Risk: Counterparty	There is historical evidence that demonstrates the risk of a UK bank experiencing technical problems that could lead to the Firms' or it clients' funds being inaccessible in the short term	It is Z.com Trade's policy that institutional counterparties must meet pre-defined ratings. Furthermore we seek to limit our concentration risk for our banking relationships to individual counterparties through diversification. Our regulatory and best practice requirements

		surrounding client monies require us to perform periodic on-going review of all institutions where we deposit client monies.
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Market risk: Z.com Trade's business model is not subject to market risk in respect of the Firm's trading activities. In terms of non-trading book activities, the Firm's cash holdings in currencies other than GBP attract market risk, however, the level of this risk is not material.

Credit risk in respect of the Firm's clients: The Firm does not offer credit to its clients. Automated position close out mechanism's will, in normal trading conditions, prevent, and protect clients from, negative trading account balances.

CAPITAL ADEQUACY & ICAAP

Capital Resources

The Firm has maintained a significant capital surplus over the Firm's regulatory resources requirement (FRR) at all times. At 31 December 2017 the Firm's capital position was as follows:

Capital Position	£
Share Capital	9,000,000
Less interim losses	(5,968,308)
Tier 1 Capital	3,031,692
Tier 2 Capital	0
Own Funds	3,031,692
Minimum Financial Resource Requirement	1,529,277
Surplus Capital over minimum requirement	1,502,415
Required Core Tier 1/Total Capital Ratio	8%
Actual Core Tier 1/Total Capital Ratio	38.28%

In addition Z.com Trade sets aside a capital amount of £549,000 against Pillar 2 risks.

Capital Adequacy

Z.com Trade carries out an Internal Capital Adequacy Assessment Process (ICAAP) under the requirements of the FCA and Capital Requirements Directive (CRD). The ICAAP document draws together the Firm's risk management framework, its business planning and capital management. It is the culmination of a series of policy decisions, and procedures and systems implementations designed to ensure that the Firm is able to identify manage and monitor its risks in accordance with its risk appetite. On an ongoing basis, the ICAAP is integral to the Firm's risk based approach to its business planning and capital management decisions. The ICAAP is reviewed, and formally adopted, by the Board of Z.com Trade on at least an annual basis

The capital resource that Z.com Trade holds in comparison to its regulatory capital resource requirement is monitored on an ongoing basis. Z.com Trade will not accept risks that are assessed as having any realistic potential to threaten the Firm's capital adequacy.

Stress Testing and Scenario Analysis

Z.com Trade carries out, and documents its ICAAP, stress testing and scenario analysis on a variety of realistic adverse circumstances and events (macro events, identified principle risks and combinations of both) in which risk might occur or crystallise including an orderly winding down of the business. This is carried out on a quarterly basis to ensure that the Firm has sufficient capital resources and liquidity over its three year planning horizon, taking into account the potential impact of an economic downturn, and without resorting to the Firm's contingency funding plan.

Liquidity & Liquidity Risk

IFPRU Firms are, in IPFRU 7 (Liquidity) of the FCA Handbook, referred to the FCA's liquidity regime and liquidity reporting in BIPRU 12 (Liquidity standards) and SUP 16 (Reporting requirements). Z.com Trade has implemented a Liquidity Risk Assessment Policy and Procedures (LRAP). Liquidity risk management is an integral part of Z.com Trade's business strategy. The Firm has in place strategies, policies, processes and systems in order to identify, measure, manage and monitor liquidity risk. A rolling liquidity forecast is maintained to ensure that liabilities can be met as they fall due whilst delivering the strategic business plan.

GZUK is funded by share capital and reserves. The Firm has no long-term debt and no off-balance sheet funding. The Firm uses liquid assets as defined in its LRAP to meet its liquidity obligations.

REMUNERATION POLICY

Z.com Trade has implemented a Remuneration Policy and Procedures in accordance with SYSC 19A.2.1: Remuneration Code (the "Code") of the FCA Handbook where by firms are required to: "...establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management." The rules recognise that not all of the Codes principles apply to all firms equally and define a high level, three tier proportionality framework which applies the Code to the extent that it is appropriate to the size of the firm. Z.com Trade is classified as a Proportionality Tier 3 firm.

Z.com Trade currently remunerates the Firms directors and employees through basic fixed remuneration and benefits. There are no arrangements for any variable element such as bonus or commission in place at this time, nor does the Firm operate a pension scheme. The Firm's remuneration policy is designed to:

- Avoid conflicts of interest and ensure that individuals engaged in "control functions" are remunerated:
 - (a) Adequately to attract qualified and experienced staff, and
 - (b) In accordance with the achievement of the objectives linked to their functions (established through the Firm's Staff Assessment Policy and Procedures) and their overall contribution to Z.com Trade.
- Be consistent with, and promote sound and effective risk management that does not encourage risk-taking that exceeds the Firm's risk tolerance.
- Remain in line with the business strategy, objectives, values and long-term interests of the firm.

The FCA Remuneration Code requires the Firm to identify those directors and employees whose activities have a material impact on the risk profile of the Firm. Such individuals, classified as Code Staff, are the UK based directors of Z.com Trade and the Firm's General Manager.

Under CEBS guidelines, level three firms can dis-apply certain rules whilst having regard to proportionality. In terms of the requirement for a remuneration committee: Z.com Trade is a small firm and as such, the Remuneration Committee is the Human Resources (HR) Committee. At this early stage in the Firm's business, the HR Committee meets as required to deliberate and make recommendations to the Board in respect of remuneration and HR matters.

The Board approves remuneration policy and in doing so, takes into account the pay and conditions across the firm and industry scales. The Board will assess how remuneration decisions are made within the organisation, and evaluate their alignment with this Remuneration Policy and the Remuneration Code. The Board takes full account of the Firm's strategic objectives in setting remuneration Policy, and is mindful of its duties to shareholders and other stakeholders. The Board seeks to preserve shareholder value by ensuring the successful retention, recruitment and motivation of staff. The Board will review the remuneration strategy and the Remuneration Policy and Procedures on at least an annual basis together with the Code Staff.