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**GMO-Z.COM TRADE UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2017**

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**GMO-Z.COM TRADE UK LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	K Hyodo T Yamamoto T Ishimura L Bonfield (resigned 15 April 2016)
<b>Registered number</b>	08261027
<b>Registered office</b>	Becket House 36 Old Jewry London EC2R 8DD
<b>Independent auditor</b>	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Herts WD17 1HP

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**GMO-Z.COM TRADE UK LIMITED**

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## GMO-Z.COM TRADE UK LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2017

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#### 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 March 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 the Japanese GMO CLICK Holdings Group, 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 provides the liquidity provided by GMO Click Group, the world's largest retail FX provider by volume, through MT4 platform which is broadly used by traders around the world, and offers a range of financial markets, including the major currency pairs, spot metals, indices and commodities.

##### Business Model

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

##### Geographical Reach

Initially Z.com Trade will focus mainly on the UK, other European markets and China.

##### 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.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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 Matter**

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.

**Employee Gender Diversity**

FY17	Female	Male
Directors	0%	100%
Staff	29%	71%

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**GMO-Z.COM TRADE UK LIMITED**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017**

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**BUSINESS PERFORMANCE**

**Key Performance Indicators**

Given that the Z.com Trade full service launch took place in March 2015, there are the key performance indicators to note in this report.

**Operating Expenses**

During FY2017, trade income increased to £406,542 (2016: £68,712). Total administrative costs remained at similar level of £2,258,788 (2016: £2,442,691) and this was due to the continuous re-launch event since FY2016.

**Profit for the Year**

Z.com Trade made pre-tax losses of £1,840,388 (2016: £2,355,011). This was as expected in the re-launch period.

**Balance Sheet**

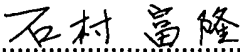
During FY2017, there were the normal assets carried by the daily business in the organization, no significant changes incurred

**LOOKING FORWARD**

FY2017 will be an exciting year for Z.com Trade, as we have seen continuous increase in both client bases and trading volumes thanks to the change in our marketing strategy brought in late FY2016, and our aim remains to focus on expansion to much broader area.

Z.com Trade has set its target on delivering high quality trading platform along with client services in order to build up on good relationship with our traders and affiliates, and accelerate client on boarding rate while consolidating on our client bases.

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

  
.....  
**T Ishimura**  
Director

Date: 30 May 2017

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**GMO-Z.COM TRADE UK LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2017**

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The directors present their report and the financial statements for the Year ended 31 March 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 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 Year, after taxation, amounted to £1,840,388 (2016 - loss £2,355,011).

No dividends were paid or proposed during the year (2016: £nil).

**Directors**

The directors who served during the Year were:

K Hyodo  
T Yamamoto  
T Ishimura  
L Bonfield (resigned 15 April 2016)

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**GMO-Z.COM TRADE UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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: 30 May 2017



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## GMO-Z.COM TRADE UK LIMITED

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

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We have audited the financial statements of GMO-Z.com Trade UK Limited for the Year ended 31 March 2017, set out on pages 8 to 21. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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.

#### **Respective responsibilities of Directors and Auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit or loss for the Year 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.

#### **Opinion on other matter 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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**GMO-Z.COM TRADE UK LIMITED**

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

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**Matters on which we are required to report by exception**

In the light of our 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 and the Directors' report.

We have nothing to report in respect of the following matters where 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.

*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

31 May 2017

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GMO-Z.COM TRADE UK LIMITED

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2017

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	Note	2017 £	2016 £
Turnover	4	406,542	68,712
<b>Gross profit</b>		<b>406,542</b>	<b>68,712</b>
Administrative expenses		(2,258,788)	(2,442,691)
<b>Operating loss</b>	5	<b>(1,852,246)</b>	<b>(2,373,979)</b>
Interest receivable and similar income	9	11,858	18,968
<b>Loss before tax</b>		<b>(1,840,388)</b>	<b>(2,355,011)</b>
<b>Loss for the financial Year</b>		<b>(1,840,388)</b>	<b>(2,355,011)</b>

There was no other comprehensive income for 2017 (2016:£NIL).

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

**BALANCE SHEET**  
**AS AT 31 MARCH 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	11	4,166	2,397
		<u>4,166</u>	<u>2,397</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	867,821	599,754
Cash at bank and in hand	13	2,450,652	4,401,619
		<u>3,318,473</u>	<u>5,001,373</u>
Creditors: amounts falling due within one year	14	(290,947)	(131,690)
<b>Net current assets</b>		<u>3,027,526</u>	4,869,683
<b>Total assets less current liabilities</b>		<u>3,031,692</u>	4,872,080
<b>Net assets</b>		<u>3,031,692</u>	4,872,080
<b>Capital and reserves</b>			
Called up share capital	16	9,000,000	9,000,000
Profit and loss account	17	(5,968,308)	(4,127,920)
		<u>3,031,692</u>	<u>4,872,080</u>

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

石村 富隆

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**T Ishimura**  
 Director

Date: 30 May 2017

The notes on pages 12 to 21 form part of these financial statements.

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**GMO-Z.COM TRADE UK LIMITED**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2017**

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	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 April 2015</b>	9,000,000	(1,772,909)	7,227,091
Loss for the year	-	(2,355,011)	(2,355,011)
	<hr/>	<hr/>	<hr/>
<b>At 1 April 2016</b>	9,000,000	(4,127,920)	4,872,080
Loss for the Year	-	(1,840,388)	(1,840,388)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2017</b>	<u>9,000,000</u>	<u>(5,968,308)</u>	<u>3,031,692</u>

**GMO-Z.COM TRADE UK LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Loss for the financial Year	(1,840,388)	(2,355,011)
<b>Adjustments for:</b>		
Depreciation of tangible assets	4,043	5,509
Interest received	-	(18,968)
(Increase)/decrease in debtors	(109,561)	823,946
(Increase) in amounts owed by groups	(158,507)	(25,403)
Increase/(decrease) in creditors	130,194	(130,119)
Increase in amounts owed to groups	29,063	31,331
<b>Net cash generated from operating activities</b>	<b>(1,945,156)</b>	<b>(1,668,715)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(5,811)	-
Interest received	-	18,968
<b>Net cash from investing activities</b>	<b>(5,811)</b>	<b>18,968</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,950,967)</b>	<b>(1,649,747)</b>
Cash and cash equivalents at beginning of Year	4,401,619	6,051,366
<b>Cash and cash equivalents at the end of Year</b>	<b>2,450,652</b>	<b>4,401,619</b>
<b>Cash and cash equivalents at the end of Year comprise:</b>		
Cash at bank and in hand	2,450,652	4,401,619
	<b>2,450,652</b>	<b>4,401,619</b>

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**GMO-Z.COM TRADE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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**2. Accounting policies (continued)**

**2.4 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**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. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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**2. Accounting policies (continued)**

**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.

**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 Interest income**

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

**2.11 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.

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**GMO-Z.COM TRADE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**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.

**Depreciation and residual value**

The Directors have reviewed the asset lives and associated residual values of all fixed assets, and have concluded that asset lives and residual values are appropriate.

**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.

**4. Turnover**

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

	2017 £	2016 £
UK Sales	406,542	68,712
	<u>406,542</u>	<u>68,712</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	406,542	68,712
	<u>406,542</u>	<u>68,712</u>

**5. Operating loss**

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	4,043	5,509
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	15,500	15,500
Exchange differences	43,486	6,720
	<u>43,486</u>	<u>6,720</u>

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**GMO-Z.COM TRADE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**6. Auditor's remuneration**

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	13,000	15,500
	<u>13,000</u>	<u>15,500</u>
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Other services relating to taxation	1,500	2,000
All other services	500	550
	<u>2,000</u>	<u>2,550</u>

**7. Employees**

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

	2017 £	2016 £
Wages and salaries	423,526	692,365
Social security costs	24,251	39,482
	<u>447,777</u>	<u>731,847</u>

The average monthly number of employees, including the directors, during the Year was as follows:

	2017 No.	2016 No.
Employees	<u>9</u>	<u>12</u>

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GMO-Z.COM TRADE UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	144,701	340,927
	<u>144,701</u>	<u>340,927</u>

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2016 - £NIL).

The total accrued pension provision of the highest paid director at 31 March 2017 amounted to £NIL (2016 - £NIL).

9. Interest receivable

	2017 £	2016 £
Other interest receivable	11,858	18,968
	<u>11,858</u>	<u>18,968</u>

10. Taxation

At the balance sheet date, the company has losses c/f of £5,955,536 (2016: £4,113,373) 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.

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GMO-Z.COM TRADE UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

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11. Tangible fixed assets

	Office equipment £	Computer software and equipment £	Total £
<b>Cost or valuation</b>			
At 1 April 2016	7,621	2,826	10,447
Additions	2,811	3,000	5,811
At 31 March 2017	<u>10,432</u>	<u>5,826</u>	<u>16,258</u>
<b>Depreciation</b>			
At 1 April 2016	5,772	2,276	8,048
Charge for the period on owned assets	1,993	2,049	4,042
At 31 March 2017	<u>7,765</u>	<u>4,325</u>	<u>12,090</u>
<b>Net book value</b>			
At 31 March 2017	<u>2,667</u>	<u>1,501</u>	<u>4,168</u>
At 31 March 2016	<u>1,848</u>	<u>549</u>	<u>2,397</u>

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**GMO-Z.COM TRADE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**12. Debtors**

	2017 £	2016 £
Amounts owed by group undertakings	612,588	454,079
Other debtors	220,552	130,771
Prepayments and accrued income	34,681	14,903
	<u>867,821</u>	<u>599,753</u>

**13. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	2,450,652	4,401,619
	<u>2,450,652</u>	<u>4,401,619</u>

**14. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Trade creditors	8,328	5,388
Amounts owed to group undertakings	120,305	91,242
Other taxation and social security	7,314	16,690
Accruals and deferred income	155,000	18,370
	<u>290,947</u>	<u>131,690</u>

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**GMO-Z.COM TRADE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**15. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	2,450,652	4,401,619
Financial assets that are debt instruments measured at the undiscounted amount	833,139	584,850
	<u>3,283,791</u>	<u>4,986,469</u>
<b>Financial liabilities</b>		
Financial liabilities measured at the undiscounted amount	(283,633)	(115,000)
	<u>(283,633)</u>	<u>(115,000)</u>

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**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
9,000,000 Ordinary shares of £1 each	<u>9,000,000</u>	<u>9,000,000</u>

**17. Reserves**

**Profit & loss account**

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

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**GMO-Z.COM TRADE UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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**18. Commitments under operating leases**

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Not later than 1 year	<b>51,876</b>	<b>70,176</b>
	<u><b>51,876</b></u>	<u><b>70,176</b></u>

**19. Related party transactions**

The company has taken the exemption provided by FRS102, Section 33, to 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.



## Pillar 3 Disclosure (Unaudited)

### 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 1<sup>st</sup> 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.

**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 March 2017 the Firm's capital position was as follows:

<b>Capital Position</b>	<b>£</b>
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	1,131,465
Surplus Capital over minimum requirement	1,900,227
Required Core Tier 1/Total Capital Ratio	8%
Actual Core Tier 1/Total Capital Ratio	41.65%

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.