

Registered number: 08261027

GMO-Z.COM TRADE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



GMO-Z.COM TRADE UK LIMITED

COMPANY INFORMATION

Directors	T Yamamoto T Ishimura (resigned 17 March 2020) M Funada M Oikawa (appointed 17 March 2020)
Registered number	08261027
Registered office	8 Devonshire Square London England EC2M 4PL
Independent auditor	Hillier Hopkins LLP Chartered Accountants & Statutory Auditor Radius House 51 Clarendon Road Watford Herts WD17 1HP

GMO-Z.COM TRADE UK LIMITED

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GMO-Z.COM TRADE UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

This document sets out the Strategic Report of GMO-Z.com Trade UK Limited (hereinafter referred to as “the Firm”) for the year to 31 December 2020, and has been prepared in accordance with the Financial Reporting Council Guidance on the Strategic Report.

Business Model and Risk Profile

Our Business

The Firm is the first European subsidiary of GMO Financial Holdings Inc., which is the parent company of its Japanese subsidiary GMO CLICK Securities Inc., which is the world's largest retail forex broker by volume and known for its award-winning services.

The Firm is an online financial services business which 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. The Firm has recently placed emphasis on its new agency spot FX liquidity services, which utilises the Firm's strong network of robust liquidity provision from the interbank market. The Firm accepts clients from a number of regions around the world, however its core liquidity provision and matching engine are located in London, with plans to later expand its pricing capabilities geographically.

Our platforms

The Firm's transactions are carried out via electronic systems which are provided by reputational and proven vendors in the industry. The Firm continuously works towards enhancing its services, and improving the level of sophistication and functionality of the technology provided to its clients.

Business Model

The Firm's business model maximises the use of the specialist skills and experience within the Group, and sophisticated technology provided by its system vendors.

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

Financial strength: the Firm 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 the business.

GMO-Z.COM TRADE UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

BUSINESS PERFORMANCE

The Firm's net revenue for the financial year of 2020 was £88,464, 51.6% lower than the £182,819 in the financial year of 2019. Due to a reorganisation of the company's business model and strategy, there was a period of a few months where income was either significantly reduced or not generated.

Operating expenses were £1,995,970, which were 11.9% lower than in the previous year (year ended 31 December 2019: £2,266,597) mainly due to cutting down costs related to the Firm's retail business. With the reduction in revenue and decreased operating expenses, the Firm made pre-tax losses of £1,676,874 (year ended 31 December 2019: £1,787,677).

Following the resolution by the shareholder and the board in November 2020, the issued capital of £14,000,000 was reduced to £3,000,000.

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The board of directors of the Firm consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the stakeholders and matters set out in s172(1) (a-f) of the Act in the decisions taken during the year ended 31 December 2020.

- Our mid-term plan for the period 2021-2023 was designed to have a long-term beneficial impact on the company and to contribute to its success in delivering a good quality service for clients. We will continue to operate our business within tight budget controls and in line with our regulatory targets.
- We have considered and acted upon the interests of the company's employees as detailed in the engagement with employees section of this report.
- We have considered and acted upon the need to foster the company's business relationships with suppliers, customers and others as detailed in the engagement with suppliers, customers and others section of this report.
- As a member of financial market, one of our key objectives is to establish a resilient and fair financial market by active commitment to regulatory rule and supervises. Given that the current climate change requires every possible action, to the highest extent possible, the Firm office and client communications operate under a "paper free environment" principle. This policy has already been in place over long period of time, minimising the Firm's impact on the environment and providing the greatest extent of client data protection.
- As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours.
- As the Board of Directors, our intention is to behave responsibly toward our stakeholders and treat them fairly and equally.

Engagement with suppliers, customers and others

Our engagement with responsible suppliers supports creating sustainable values on our service. By having a stable relationship, we work together to develop innovative new technologies to make our services better in the future. We support our suppliers to be motivated to deliver high quality work, which will deliver the best service to client in the long term.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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. The cost of trading is one of the most important elements to our clients. The Firm aims to provide pricing which benefits clients while keeping operation costs low, in order to bring about overall benefits to all stakeholders involved. 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 stakeholders.

We do not consider there to be any other stakeholders.

Engagement with employees

We believe that employees are fundamental to the delivery of our plan. We strive to offer a nurturing and motivating environment where each employee can develop their 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.

The Firm 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. The Firm 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.

LOOKING FORWARD

We have launched our institutional services 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 technology. Enhancements will be developed using feedback gathered directly from clients, to ensure that we provide the optimal trading environment and conditions.

With the ongoing impact of changes to the regulatory environment which were initiated in FY2018 such as MiFID II and the ESMA product intervention, the Firm took the decision to end its individual client services, and shift its focus to the provision of services to institutional clients moving forward.

As part of this new strategy, we have implemented a sophisticated institutional technology solution, which is supported by tier one bank and leading non-bank liquidity provision.

Following the outbreak of COVID-19 and its effects worldwide, a number of measures have been implemented in the UK from March 2020, as part of the government-led response. During these circumstances, the company has been able to maintain full operational capacity and minimise the revenue and cost impact of the actions taken externally with its robust business continuity measures. Launch of the Firm's institutional services were delayed by some months later than originally planned, however the services were been rolled out successfully and we anticipate growth even in the event that COVID-19 continues to have a significant impact on businesses.

GMO-Z.COM TRADE UK LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

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

船田真広 *Masahiro Funada*

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M Funada
Director and CEO

Date: 16 March 2021

GMO-Z.COM TRADE UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 year, after taxation, amounted to £1,676,874 (2019 - loss £1,787,677).

No dividends were paid or proposed during the year (2019 £nil).

Directors

The Directors who served during the year were:

T Yamamoto
T Ishimura (resigned 17 March 2020)
M Funada
M Oikawa (appointed 17 March 2020)

GMO-Z.COM TRADE UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

Engagement with employees

We believe that employees are fundamental to the delivery of our plan. We strive to offer a nurturing and motivating environment where each employee can develop their 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.

The Firm 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. The Firm 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.

Engagement with suppliers, customers and others

Our engagement with responsible suppliers supports creating sustainable values on our service. By having a stable relationship, we work together to develop innovative new technologies to make our services better in the future. We support our suppliers to be motivated to deliver high quality work, which will deliver the best service to client in the long term.

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. The cost of trading is one of the most important elements to our clients. The Firm aims to provide pricing which benefits clients while keeping operation costs low, in order to bring about overall benefits to all stakeholders involved. 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 stakeholders.

We do not consider there to be any other stakeholders.

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.

GMO-Z.COM TRADE UK LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

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

船田真広 *Masahiro Funada*

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M Funada

Director and CEO

Date: 16 March 2021

GMO-Z.COM TRADE UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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 year ended 31 December 2020, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its 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.

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

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

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

GMO-Z.COM TRADE UK LIMITED

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

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 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 year 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.

GMO-Z.COM TRADE UK LIMITED

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 5, 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.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which they are capable of detecting irregularities, including fraud is detailed below:

- Assessed the nature of the industry and sector, control environment and business performance including the remuneration incentives and pressures of key management;
- The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management. We consider the results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- Any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- The matters discussed among the audit engagement team and involving relevant internal specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and relevant tax legislation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

GMO-Z.COM TRADE UK LIMITED

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

Use of our report

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

Simon Speller

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: 22/03/2021

GMO-Z.COM TRADE UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	204,968	504,786
Cost of sales		(116,504)	(321,967)
Gross profit		88,464	182,819
Administrative expenses		(1,995,970)	(2,266,597)
Other operating income		234,701	268,348
Operating loss	6	(1,672,805)	(1,815,430)
Interest receivable and similar income	10	4,928	33,064
Interest payable and expenses	11	(8,997)	(5,311)
Loss before tax		(1,676,874)	(1,787,677)
Loss for the financial year		(1,676,874)	(1,787,677)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 18 to 27 form part of these financial statements.

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

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	13	839	3,547
		<u>839</u>	<u>3,547</u>
Current assets			
Debtors: amounts falling due within one year	14	966,318	6,129,059
Cash at bank and in hand	15	3,711,276	2,901,368
		<u>4,677,594</u>	<u>9,030,427</u>
Creditors: amounts falling due within one year	16	(2,454,386)	(5,133,053)
Net current assets		<u>2,223,208</u>	<u>3,897,374</u>
Net assets		<u><u>2,224,047</u></u>	<u><u>3,900,921</u></u>
Capital and reserves			
Called up share capital	18	3,000,000	14,000,000
Profit and loss account	19	(775,953)	(10,099,079)
		<u><u>2,224,047</u></u>	<u><u>3,900,921</u></u>

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

船田真広 Masahiro Funada

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M Funada
 Director and CEO

Date: 16 March 2021

The notes on pages 18 to 27 form part of these financial statements.

GMO-Z.COM TRADE UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2019	11,000,000	-	(8,311,402)	2,688,598
Comprehensive income for the year				
Loss for the year	-	-	(1,787,677)	(1,787,677)
Total comprehensive income for the year	-	-	(1,787,677)	(1,787,677)
Shares issued during the year	3,000,000	-	-	3,000,000
Total transactions with owners	3,000,000	-	-	3,000,000
At 1 January 2020	14,000,000	-	(10,099,079)	3,900,921
Comprehensive income for the year				
Loss for the year	-	-	(1,676,874)	(1,676,874)
Total comprehensive income for the year	-	-	(1,676,874)	(1,676,874)
Purchase of own shares	-	(11,000,000)	11,000,000	-
Shares cancelled during the year	(11,000,000)	-	-	(11,000,000)
Cancellation of shares	-	11,000,000	-	11,000,000
Total transactions with owners	(11,000,000)	-	11,000,000	-
At 31 December 2020	3,000,000	-	(775,953)	2,224,047

The notes on pages 18 to 27 form part of these financial statements.

GMO-Z.COM TRADE UK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Loss for the financial year	(1,676,874)	(1,787,677)
Adjustments for:		
Depreciation of tangible assets	2,707	5,239
Interest paid	8,997	5,311
Interest received	(4,928)	(33,064)
Decrease/(increase) in debtors	4,941,883	(1,568,838)
Decrease/(increase) in amounts owed by groups	220,858	(58,207)
(Decrease) in creditors	(483,196)	(330,785)
(Decrease)/increase in amounts owed to groups	(4,291,014)	2,065,133
Net cash generated from operating activities	(1,281,567)	(1,702,888)
Cash flows from investing activities		
Interest received	4,928	33,064
Net cash from investing activities	4,928	33,064
Cash flows from financing activities		
Issue of ordinary shares	-	3,000,000
Other new loans	2,095,544	209,798
Interest paid	(8,997)	(5,311)
Net cash used in financing activities	2,086,547	3,204,487
Net increase in cash and cash equivalents	809,908	1,534,663
Cash and cash equivalents at beginning of year	2,901,368	1,366,705
Cash and cash equivalents at the end of year	3,711,276	2,901,368
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,711,276	2,901,368
	3,711,276	2,901,368

The notes on pages 18 to 27 form part of these financial statements.

GMO-Z.COM TRADE UK LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	At 1 January 2020 £	Cash flows £	At 31 December 2020 £
Cash at bank and in hand	2,901,368	809,908	3,711,276
Debt due within 1 year	(281,952)	(2,095,544)	(2,377,496)
	<u>2,619,416</u>	<u>(1,285,636)</u>	<u>1,333,780</u>

The notes on pages 18 to 27 form part of these financial statements.

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. General information

GMO-Z.com Trade UK Limited is a limited company incorporated in England and Wales. Its registered office and principal place of business is 8 Devonshire Square, London, EC2M 4PL. 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 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for a period of at least 12 months from following the approval of the financial statements. This is dependent upon the company continuing to receive financial support from the parent company. The immediate parent company GMO Financial Holdings, Inc. has pledged to continue to give financial support to the company for the foreseeable future and no less than 12 months following the approval of the financial statements. This financial support includes the non redemption of the intercompany loan balance of £2,377,496 if the company does not have the ability to repay it within the following 12 months.

As a result of this and the cash balance as of year end, the directors are of the opinion that the company can meet the majority of its liabilities as they fall due. The directors have considered the impact of the COVID-19 pandemic and Brexit in their going concern assessment.

There can be no certainty in relation to these matters. However, the directors consider it appropriate to prepare the financial statements on the going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.3 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 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.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.9 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 profit or loss 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.

2.10 Taxation

Tax is recognised in profit or loss 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.

2.11 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 profit or loss.

2.12 Debtors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.13 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.

2.14 Creditors

Short term creditors are measured at the transaction price.

2.15 Financial instruments

The Company only enters into basic financial instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

2.16 Client bank accounts

The company operates designated client bank accounts in accordance with the Client Money regulations of the Financial Conduct Authority (FCA). These accounts do not represent funds of the company and so the deposits are not recognised in the company's statement of financial position.

As of the balance sheet date, the company held client funds of £13,246 (£2019: £68,013)

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

4. Turnover

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

	2020 £	2019 £
Net trade income	204,968	504,786
	<u>204,968</u>	<u>504,786</u>
	2020 £	2019 £
United Kingdom	16,898	7,824
Rest of Europe	64	27,511
Rest of the world	188,006	469,451
	<u>204,968</u>	<u>504,786</u>

5. Other operating income

	2020 £	2019 £
Sundry income	234,701	268,348
	<u>234,701</u>	<u>268,348</u>

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Operating loss

The operating loss is stated after charging:

	2020 £	2019 £
Exchange differences	<u>141,386</u>	<u>21,074</u>

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>7,575</u>	<u>7,575</u>
	7,575	7,575
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	1,575	1,575
CASS 7 audit	6,500	6,500
Company secretarial services	500	500
	<u>8,575</u>	<u>8,575</u>

8. Employees

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

	2020 £	2019 £
Wages and salaries	1,132,783	1,172,880
Social security costs	83,944	60,607
Cost of defined contribution scheme	19,486	13,415
	<u>1,236,213</u>	<u>1,246,902</u>

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

	2020 No.	2019 No.
Employees	<u>14</u>	<u>17</u>

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	187,816	214,385
	<u>187,816</u>	<u>214,385</u>

The highest paid Director received remuneration of £187,816 (2019 - £214,385).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £NIL (2019 - £NIL).

The total accrued pension provision of the highest paid Director at 31 December 2020 amounted to £NIL (2019 - £NIL).

10. Interest receivable

	2020 £	2019 £
Other interest receivable	4,928	33,064
	<u>4,928</u>	<u>33,064</u>

11. Interest payable and similar expenses

	2020 £	2019 £
Intercompany loan interest payable	8,997	5,311
	<u>8,997</u>	<u>5,311</u>

12. Taxation

At the balance sheet date, the company has losses carried forward of £11,737,200 (2019: £10,064,961) 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 YEAR ENDED 31 DECEMBER 2020

13. Tangible fixed assets

	Leasehold improvements £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2020	6,143	20,468	5,826	32,437
Disposals	(6,143)	-	-	(6,143)
At 31 December 2020	-	20,468	5,826	26,294
Depreciation				
At 1 January 2020	6,143	16,921	5,826	28,890
Charge for the year on owned assets	-	2,708	-	2,708
Disposals	(6,143)	-	-	(6,143)
At 31 December 2020	-	19,629	5,826	25,455
Net book value				
At 31 December 2020	-	839	-	839
At 31 December 2019	-	3,547	-	3,547

14. Debtors

	2020 £	2019 £
Trade debtors	10,100	7,080
Amounts owed by group undertakings	28,052	248,910
Other debtors	29,625	48,253
Prepayments and accrued income	12,100	91,951
VAT repayable	6,832	23,997
Broker debtors	879,609	5,708,868
	<u>966,318</u>	<u>6,129,059</u>

GMO-Z.COM TRADE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>3,711,276</u>	<u>2,901,368</u>

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Intercompany loans	2,377,496	281,952
Trade creditors	27,015	456,728
Amounts owed to group undertakings	13,669	4,304,683
Other taxation and social security	-	40,400
Pension fund payable	3,530	4,374
Other creditors	-	552
Accruals and deferred income	32,018	38,756
Broker creditors	658	5,608
	<u>2,454,386</u>	<u>5,133,053</u>

17. Financial instruments

	2020 £	2019 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>879,609</u>	<u>5,708,868</u>

Financial assets measured at fair value through profit or loss comprise of broker debtors.

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
3,000,000 (2019 - 14,000,000) Ordinary shares of £1.00 each	<u>3,000,000</u>	<u>14,000,000</u>

GMO-Z.COM TRADE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. Reserves

Capital redemption reserve

During the period the Company repurchased and cancelled £11,000,000 shares at part value. The repurchase of the shares from the parent undertaking created a capital redemption reserve representing the nominal cost of the shares repurchased. This sum was then released to the profit and loss upon cancellation of the shares.

Profit & loss account

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

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £19,486 (2019 - £13,415). Contributions totalling £3,530 (2019 - £4,374) were payable to the fund at the balance sheet date and are included in creditors.

21. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	139,040	204,014
Later than 1 year and not later than 5 years	-	134,300
	<u>139,040</u>	<u>338,314</u>

22. 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.

23. Controlling party

The immediate parent company is GMO Financial 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.

UNAUDITED PILLAR 3 DISCLOSURE

INTRODUCTION

This document sets out the Pillar 3 market disclosures of GMO-Z.com Trade UK Limited (hereinafter referred to as "the Firm"). The Firm 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 reference number is 622897. For more information about our trading activities and business model, please see the Strategic Report included within these Financial Statements.

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 the Firm's Pillar 3 disclosure obligations.

The Firm 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

The Firm will disclose Pillar 3 information on an annual basis within the Firm's Annual Report and audited Financial Statements. The Board of the Firm 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 the Firm's parent company, GMO Financial Holdings, Inc.

RISK MANAGEMENT & GOVERNANCE

The Firm's day-to-day business activities naturally expose the Firm to risks. Whilst it is not possible to limit or eradicate all risks, the Firm'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 the Firm, 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 the Firm's performance and to review whether the Firm has operated within its risk parameters.

Although the Firm 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 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 the Firm'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 and Business Risk	The Strategic risk of an adverse impact resulting from the Firm's strategic decision-making: Failure to develop and implement goals/strategies that support the Firm's vision; failure to exploit strengths or to take opportunities. Furthermore, the Firm is exposed to commercial (business) risk because of the highly competitive nature of the online trading industry and the failure of client acquisition based on its Business Strategy, which in turn could lead the failure to deliver expected revenues.	The Board of the Firm is responsible for setting business strategy and maintaining oversight of strategic risks. The Directors of the Firm 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.	The Firm manage business continuity risks through robust, business continuity and disaster recovery policies and procedures both at the Firm 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 the Firm'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.

Credit risk: Credit Risk is the risk that a firm's clients and counterparties fail to pay monies due to them. The Firm holds all cash with reputable banks after undertaking an assessment of the credit rating of each bank.

Credit & counterparty 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.

Market risk: Market risk is the vulnerability of firms to movements in the value of financial instruments either by themselves, or by their clients. The Firm'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 and incurs market risk on foreign currency movements on client cash/liabilities held in foreign currencies. The firm monitors its exposure on a day-to-day basis. However, the level of this risk is not material.

Operational risk: This incorporates the monitoring of client money processes undertaken as well as the regulatory and contingency planning done at the Firm level. The Firm's operational risk appetite is conservative and, as a result, the Firm invest to mitigate such risks. Staffing and outsourced arrangement levels also provide a level of contingency cover in all critical business areas. The Firm has documented contingency planning and disaster recovery procedures and these are regularly reviewed and tested. In summary, the Firm aims to keep all aspects of our operations as simple as possible.

The Firm has identified three key operational risk areas which have been assessed in the Firm's ICAAP: System failures, Internal and External Fraud, and Regulatory Risk.

CAPITAL ADEQUACY & ICAAP

Capital Adequacy

The Firm 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 the Firm on at least an annual basis.

The Firm's Pillar 1 regulatory capital requirement is based on the Firm's TREA, which is calculated as the higher of its Fixed Overhead Requirement and its Variable Capital Requirement (the sum of the Credit Risk Capital and Market Risk Capital Requirements). The Credit Risk Capital Requirement is made up of the Credit Risk Capital Component and the Counterparty Risk Capital Component.

As stated above the Firm is a limited license firm and as such its capital requirements are the greater of:

- Its base capital requirement of €125,000; or
- The sum of its credit and market risk requirements; or
- Its fixed overhead requirement

The Credit Risk Capital Component is calculated under the Standardised Method. The company's asset exposures (fixed assets, debtors, prepayments and institutional asset balances) are assigned a risk weight in calculating the overall risk exposure amounts. Institutional exposures are adjusted based on the credit rating of the bank/credit institution.

The Counterparty Risk Capital Component is considered immaterial on the basis that the Firm has an automated close-out mechanism to avoid and protect its clients from negative trading accounts.

The Firm's Market Risk Capital Component is made up of its Foreign Currency PRR which is calculated as 8% of the net exposure of the Firm's assets and liabilities in each currency (excluding those in GBP base currency).

The Firm's Fixed Overhead Requirement (FOR) has been calculated based on its annual fixed expenditure for the year ended 31 December 2020.

Capital Resources and Capital Ratio

The Firm has maintained a significant capital surplus over the Firm's regulatory resources requirement (FRR) at all times. At 31 December 2020 the Firm's capital position was as follows:

Capital Position	£
Share Capital	3,000,000
Audited Retained Earnings	900,921
Less interim losses	(1,676,874)
Tier 1 Capital	2,224,047
Tier 2 Capital	-
Own Funds	2,224,047
Total Risk Exposure Amount (TREA) (FOR of £434,511 x 12.5 factor)	5,431,384
Surplus Capital over minimum requirement	1,789,536
Required Core Tier 1/Total Capital Ratio	8.00%
Actual Core Tier 1/Total Capital Ratio	40.95%

In addition, the Firm sets aside a capital amount of **£485,000** against **Pillar 2** risks, for which there is sufficient surplus regulatory capital available.

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

Stress Testing and Scenario Analysis

The Firm 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). The Firm has implemented a Liquidity Risk Assessment Policy and Procedures (LRAP). Liquidity risk management is an integral part of the Firm'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.

The Firm is funded by share capital and reserves, and 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

The Firm 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 Code's 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. The Firm is classified as a Proportionality Tier 3 firm.

The Firm currently remunerates the Firm's directors and employees through basic fixed remuneration and benefits. There is a variable commission and discretionary bonus plan set out based on each employee's performance which is evaluated and reviewed by the Human Resources (HR) Committee. The Firm does not 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 the Firm.
- ♦ 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 the Firm.

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: the Firm is a small firm and as such, the Remuneration Committee is the 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.