

Company Registered No.: 07423885 (England and Wales)

HIROSE FINANCIAL UK LTD.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



HIROSE FINANCIAL UK LTD.

COMPANY INFORMATION

Directors	S Ikizake T Hosoi M Tomonobe T Tsuchiya
Registered number	07423885
Registered office	5 Fleet Place London United Kingdom EC4M 7RD
Trading Address	25 Finsbury Circus London EC2M 7EE
Independent auditors	Wilkins Kennedy LLP Statutory Auditor Bridge House London Bridge London SE1 9QR
Accountants	Greenback Alan LLP 11 Raven Wharf Lafone Street London SE1 2LR
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP
Solicitors	Charles Russell LLP 5 Fleet Place London EC4M 7RD

HIROSE FINANCIAL UK LTD.

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HIROSE FINANCIAL UK LTD.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

Introduction

The principal activity of Hirose Financial UK Ltd. ('Company') is as an online provider of retail foreign exchange trading and related services. The company offers customers 24 hour direct access to the global over-the-counter foreign exchange market. The Company's trading platforms provide a wide array of information and analytical tools that allow its customers to identify, analyse and execute their trading strategies efficiently and cost-effectively.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The Company's FCA Register Number is 540244. For details see <https://register.fca.org.uk>.

Business review

Turnover for the year was £316,868 (2017 - £495,527). Administrative expenses decreased to £524,885 (2017 - £1,108,193) predominantly due to a decrease in salary and advertising costs.

We are in a very competitive market, and also regulatory environments including the new leverage and negative balance regulations suggest that we will need to make every effort to comply with the higher standard of regulatory requirements as well as continue to seek more efficient and effective marketing in this challenging market. We will continue to seek more opportunities in the B to B business.

We believe that our high quality client service with transparency, honesty, fairness, and readiness are a key to the continued growth of our business and market share in addition to the ongoing developments in technology.

Principal risks and uncertainties

The principal risks facing the business, and the steps taken by the Directors to mitigate them, are as follows:

Credit Risk

The company's trading operations require a commitment of capital and involve risk of loss because of the potential that a customer's losses may exceed the amount of cash in their account. As a result, the company requires that each trade must be collateralized in accordance with the margin policies described below.

Each customer is required to have minimum funds in their account for opening positions and for maintaining positions depending on the currency pair being traded. Margin requirements are expressed as a percentage of the customer's total position in that currency, and the customer's total margin requirement is based on the aggregate margin requirement across all of the positions that a customer holds at any one moment in time. Each net position in a particular currency pair is margined separately. Accordingly, the company does not net across different currency pairs, thereby following a fairly conservative margin policy.

The company's systems automatically monitor each customer's margin requirements in real time and confirm that each customer has sufficient cash collateral in his or her account before the company executes their trades. If at any point in time a customer's trading position does not comply with the applicable margin requirement, the position may be automatically liquidated, partially or entirely.

The incidence of negative equity in customer accounts has been immaterial to the company's operations to date. The company's margin and liquidation policies are set forth in our customer agreements.

Liquidity Risk

To meet our overall liquidity requirements we ensure that we hold sufficient assets which are marketable, or otherwise realisable; that we are able to generate funds from those assets in a timely manner; that we maintain a prudent funding profile in which our assets are of appropriate maturities, taking account of the expected timing of our liabilities; and that we are able to generate unsecured funding of appropriate tenor in a timely manner.

Monthly management accounts are prepared that detail our reserves, income and expenditure and these are compared to our rolling twelve month cash flow forecasts. The nature and level of our liquidity risk is regularly reviewed by our management.

The directors have established a risk tolerance level against which the company's actual liquidity position is compared. The directors seek to retain a minimum level of liquidity of a quarter of our fixed annual costs at all times, having assessed this to be appropriate for our business model.

The maintenance of this level of liquidity ensures that should the need arise we will either be in a position to implement our contingency funding plans or seek an orderly wind-down of our business.

Our liquidity position is determined solely from the reserves that we hold and the income received based on taking a turn on the client transactions and the receipt of income from Hirose Tusyo Inc as a percentage of the total number of transactions. All reserves and surplus income are held as cash with an FCA authorised third party credit institution.

Market Risk

Market risk is comprised of position risk - the risk that the market price of a position will decline - and foreign exchange risk - the risk of adverse movements on the company's foreign currency exposure. The company operates under a "Riskless Principle" on currency trades executed by clients by offsetting each exposure to its parent company Hirose Tusyo Inc. Accordingly Hirose Financial UK Ltd. (HFL) carries no material market risk on its currency trading activities. Similarly foreign exchange exposure in relation to non-trading book financial assets is minimal, and where it arises is taken into account when calculating the company's capital requirement in accordance with FCA regulations for its FCA regulated operations.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Business Risk

We conduct a formal assessment of any business risk to which we may be exposed on an annual basis, though given the size and nature of our business, no separate risk management function is considered necessary in respect of our own balance sheet. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate.

The assessment principally takes the form of considering the implications of a fall in the number of clients executing Foreign Exchange (FX) margin transactions on our trading platforms following a market downturn. Different economic scenarios are modelled to establish the impact of economic and market downturns on our financial position. Management is responsible for monitoring the impact of any market downturn on our business. Controls implemented include the continuing monitoring of our budgets and expenses. All figures are reviewed monthly by management with monthly management accounts reviewed by third party accountants.

Operational Risk

Most of our risk management efforts are focused on operational risk from our high-level strategy to administrative errors, fraud and theft. Our policy is to operate a robust and effective risk management process, embedded within the governance and management structures of our business.

Our risk management framework defines what operational risk means to us and this is approved by our Board. The main initiative is the establishment of a 'Risk Map' which includes analysis of the key risk areas identified by our management. These areas cover specific risk items within the following areas: financial, strategy, customer service, third party outsourcing, operational, and legal and regulatory.

We seek to identify the impact and probability of each risk item and rank it as high, medium or low. We also identify and implement measures to mitigate the risk and monitor any residual risk on an on-going basis.

We conduct a formal assessment of our operational risk to which we are exposed on an annual basis. Whilst no separate risk management function is considered necessary in respect of the operational risks which we face, given our size and the nature of the risks faced, risk management remains a key function of our business in respect of the portfolios we manage. Matters arising from our review are considered and mitigating or remedial action is taken where appropriate.

The company's activities are regulated in the United Kingdom and are subject to various regulations and legislation in relation to the conduct of business and maintenance of regulatory capital. This imposes extensive reporting requirements and continuing self-assessment and appraisals.

The company has appointed a suitably qualified Compliance Officer responsible for ensuring that it satisfies the applicable regulations. The Compliance Officer, who is a director, provides updates regularly to the other directors and the management of the parent company.

Regulatory Risk

Regulatory risk is the risk of non-compliance with, and future changes to, regulatory rules potentially impacting our business in the markets in which we operate. Margined Spot FX has several features which make it higher risk when compared to traditional forms of trading. It is a leveraged, derivative product that is not listed on any exchange. Consequently, our regulatory license, which enables us to trade Margined Spot FX with retail clients, is subject to a large number of rules. Compliance with these rules is fundamental to the business and we invest significant resources to ensure that we comply with both the letter and the spirit of these rules. The regulatory environment continues to evolve and there are currently a number of policy initiatives and proposals in development that may impact or have already impacted our sector, as described below:

We continue to monitor developments with regard to implementation of a Europe wide financial transaction tax.

We cannot provide certainty that future regulatory changes will not have an adverse impact on our business.

HIROSE FINANCIAL UK LTD.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

This report was approved by the board on 29 /05 /2018

and signed on its behalf.

Shion Ikizake

S Ikizake
Director

HIROSE FINANCIAL UK LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

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 £204,616 (2017 - loss £611,078).

There were no dividends paid during the year (2017 - £Nil).

Directors

The directors who served during the year were:

S Ikizake
T Hosoai
M Tomonobe
T Tsuchiya

Future developments

We are currently in a fast-changing market, and the current trend towards an increase in the number of competitors in the forex industry continues. Our services will be positioned very carefully: they will be of extremely high quality, relevant, timely and accurate, tailored to the clients' needs. Hirose UK continues to make technical developments in our trading platforms and plans to offer wider range of trading platforms and assets. We intend to review our marketing strategies for optimization and provide a better quality of services including various, transparent promotional programs as well as customer support.

HIROSE FINANCIAL UK LTD.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018**

Matters covered in the strategic report

The company has chosen, in accordance with section 414C of the Companies Act 2006, to set out in the strategic report the following information, which would otherwise be required to appear in the report of its directors:

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Post balance sheet events

The ESMA statement confirms that it has agreed a range of product intervention measures to prohibit the provision of binary options and to restrict the provision of contracts for difference (CFDs) in order to protect retail investors. The intervention measures include Negative Balance protection and Leverage restrictions. As we are an IFPRU 125K firm trading as matched principal we are now required to apply for the variation of our Part 4A Permission in order to continue to offer services for retail clients. We will continue to liaise with our external professionals and make necessary preparations for these coming regulatory changes.

Auditors

The auditors, Wilkins Kennedy LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company had cash balances of £991,180 at the year end with no external debt. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

This report was approved by the board on 29/05/2018

and signed on its behalf.



S Ikizake
Director

HIROSE FINANCIAL UK LTD.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIROSE FINANCIAL UK LTD.

Opinion

We have audited the financial statements of Hirose Financial UK Ltd. (the 'Company') for the year ended 31 March 2018, which comprise the Statement of comprehensive income, the Balance sheet, 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 March 2018 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 Auditors' 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.

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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Other information

The 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 Auditors' 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.

HIROSE FINANCIAL UK LTD.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIROSE FINANCIAL UK LTD.
(CONTINUED)**

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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement 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.

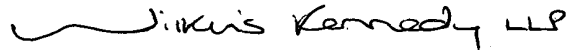
HIROSE FINANCIAL UK LTD.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HIROSE FINANCIAL UK LTD.
(CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

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

 Wilkins Kennedy LLP

Daniel Graves (Senior statutory auditor)

for and on behalf of
Wilkins Kennedy LLP

Statutory Auditor

Bridge House
London Bridge
London
SE1 9QR

Date: 29 May 2018

HIROSE FINANCIAL UK LTD.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
Turnover	4	316,868	495,527
Gross profit		316,868	495,527
Administrative expenses		(524,885)	(1,108,193)
Operating loss	5	(208,017)	(612,666)
Interest receivable and similar income	9	3,401	1,588
Loss before tax		(204,616)	(611,078)
Loss for the year		(204,616)	(611,078)

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 13 to 23 form part of these financial statements.

HIROSE FINANCIAL UK LTD.
REGISTERED NUMBER:07423885

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	11	2,700	6,021
		<u>2,700</u>	<u>6,021</u>
Current assets			
Debtors: amounts falling due within one year	12	236,420	170,416
Cash at bank and in hand	13	991,180	600,139
		<u>1,227,600</u>	<u>770,555</u>
Creditors: amounts falling due within one year	14	(74,624)	(116,284)
Net current assets		<u>1,152,976</u>	<u>654,271</u>
Total assets less current liabilities		<u>1,155,676</u>	<u>660,292</u>
Net assets		<u><u>1,155,676</u></u>	<u><u>660,292</u></u>
Capital and reserves			
Called up share capital	15	5,467,000	4,767,000
Profit and loss account	16	(4,311,324)	(4,106,708)
		<u>1,155,676</u>	<u>660,292</u>

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

29/05/2018

S Iikizake

S Iikizake
 Director

The notes on pages 13 to 23 form part of these financial statements.

HIROSE FINANCIAL UK LTD.**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2017	4,767,000	(4,106,708)	660,292
Comprehensive income for the year			
Loss for the year	-	(204,616)	(204,616)
Total comprehensive income for the year	-	(204,616)	(204,616)
Shares issued during the year	700,000	-	700,000
Total transactions with owners	700,000	-	700,000
At 31 March 2018	5,467,000	(4,311,324)	1,155,676

The notes on pages 13 to 23 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	4,167,000	(3,495,630)	671,370
Comprehensive income for the year			
Loss for the year	-	(611,078)	(611,078)
Total comprehensive income for the year	-	(611,078)	(611,078)
Shares issued during the year	600,000	-	600,000
Total transactions with owners	600,000	-	600,000
At 31 March 2017	4,767,000	(4,106,708)	660,292

The notes on pages 13 to 23 form part of these financial statements.

HIROSE FINANCIAL UK LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Hirose Financial UK Ltd. is a private company limited by shares, incorporated in England and Wales. The company's principal place of business is 25 Finsbury Circus, London EC4M 7RD.

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 financial statements are presented in GBP (£).

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 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Hirose Tusyo Inc., as at 31 March 2018 and these financial statements may be obtained from 7F MG Building, 19-3 Shinmachi 1-Chome, Nishi-ku, Osaka 550-0013.

2.3 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review, which forms part of the strategic report. The strategic report also describes the financial position of the company, its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company had cash balances of £991,180 (2017 - £600,139) at the year end with no external debt. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue represents commissions receivable on foreign currency transactions entered into in the course of the company's trade, less sales rebates in relation to promotional trading credits. It is measured as the fair value of the consideration received or receivable, excluding discounts, rebates and any applicable sales taxes.

2.5 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:

Software purchases	- 3 years, straight line
Fixtures, fittings and equipment	- 3 years, straight line

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

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

2.6 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.

2.7 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.8 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares, both ordinary and deferred.
- "Profit and loss account" includes all current and prior year results, as disclosed in the statement of comprehensive income.

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded as the proceeds received, net of external costs directly attributable to the issue. Ordinary shares and preference shares, where they share the characteristics of equity, are classified as equity. Any excess of the fair value of consideration received over the par value of shares issues is recognised as share premium.

2.9 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 non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 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 2018**

2. Accounting policies (continued)

2.11 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 April 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.12 Interest income

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

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Pounds Sterling.

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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

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

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

2.15 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.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.16 Client monies

The company holds money on behalf of clients in accordance with the client money rules of its regulators, where required. Client monies are held in segregated bank accounts in accordance with regulations and these balances, and the corresponding liabilities to the clients, are not recognised in the Balance Sheet because the company is not beneficially entitled to them. At 31 March 2018, amounts held by the company on behalf of clients in accordance with the Client Assets Rules of the Financial Conduct Authority amounted to £273,541 (2017 - £1,017,971).

At the balance sheet date the company also held money on behalf of clients in binary accounts amounting to £Nil (2017 - £59,961).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**
3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgments have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Depreciation

The depreciation charge is based on management's estimate of the useful economic life of the asset being depreciated. Details of these estimates are given in the Tangible fixed assets policy note above.

4. Turnover

The total turnover of the company for the year is attributable to the Company's principal activity.

The directors consider that the geographical markets supplied do not differ substantially from each other and that it is therefore inappropriate to disclose the apportionment of turnover between geographical markets.

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	3,837	4,547
Exchange differences	3,268	(3,871)
Other operating lease rentals	42,683	54,977
Defined contribution pension cost	749	-
	<u>47,537</u>	<u>55,653</u>

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	17,700	17,400
Fees payable to the Company's auditor for other services	7,800	7,800
	<u>25,500</u>	<u>25,200</u>

HIROSE FINANCIAL UK LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

7. Employees

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

	2018	2017
	£	£
Wages and salaries	93,149	256,610
Social security costs	6,229	5,667
Cost of defined contribution scheme	749	-
	<u>100,127</u>	<u>262,277</u>

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

	2018	2017
	No.	No.
Management	1	2
Operational	3	5
	<u>4</u>	<u>7</u>

8. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	37,408	106,819
Company contributions to defined contribution pension schemes	400	-
	<u>37,808</u>	<u>106,819</u>

During the year retirement benefits were accruing to no directors (2017 - NIL) in respect of defined contribution pension schemes.

9. Interest receivable

	2018	2017
	£	£
Bank interest receivable	3,401	1,588
	<u>3,401</u>	<u>1,588</u>

HIROSE FINANCIAL UK LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

10. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2017 - the same as) the standard rate of corporation tax in the UK of 19% (2017 - 19%) as set out below:

	2018 £	2017 £
Loss on ordinary activities before tax	(204,616)	(611,078)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	(38,877)	(116,105)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	218
Capital allowances for year in excess of depreciation	(151)	(912)
Unrelieved tax losses carried forward	39,028	116,799
Total tax charge for the year	-	-

Factors that may affect future tax charges

The company has estimated losses of £4,283,550 (2017 - £4,078,141) available for carry forward against future trading profits.

The company has unprovided deferred tax assets of £730,931 (2017 - £737,097) calculated at 17% (2017 - 18%).

HIROSE FINANCIAL UK LTD.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

11. Tangible fixed assets

	Software £	Office equipment £	Total £
Cost or valuation			
At 1 April 2017	83,702	19,243	102,945
Additions	-	516	516
Disposals	-	(8,325)	(8,325)
At 31 March 2018	83,702	11,434	95,136
Depreciation			
At 1 April 2017	81,293	15,631	96,924
Charge for the year on owned assets	2,111	1,726	3,837
Disposals	-	(8,325)	(8,325)
At 31 March 2018	83,404	9,032	92,436
Net book value			
At 31 March 2018	298	2,402	2,700
At 31 March 2017	2,409	3,612	6,021

12. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	216,489	89,679
Other debtors	18,011	39,823
Prepayments and accrued income	1,920	40,914
	236,420	170,416

13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	991,180	600,139
	991,180	600,139

HIROSE FINANCIAL UK LTD.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018****14. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	8,729	12,854
Amounts owed to group undertakings	21,857	19,678
Other taxation and social security	1,873	2,453
Other creditors	1,008	1,100
Accruals and deferred income	41,157	80,198
	<u>74,624</u>	<u>116,283</u>

15. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
5,467,000 (2017 - 4,767,000) Ordinary shares of £1 each	<u>5,467,000</u>	<u>4,767,000</u>

During the year 700,000 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital.

16. Reserves**Profit and loss account**

The Profit and loss account contains all current and prior period retained profits and losses.

17. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	<u>11,520</u>	<u>30,017</u>
	<u>11,520</u>	<u>30,017</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

18. Related party transactions

The company is exempt from the requirement to disclose transactions with fellow wholly owned Group undertakings under section 33.1A of FRS102. There were no other related party transactions requiring disclosure.

At 31 March 2018, the company was owed £216,489 (2017 - £89,679) from its ultimate and immediate parent company, Hirose Tusyo Inc.

At 31 March 2018, the company owed £21,857 (2017 - £19,678) to its ultimate and immediate parent company, Hirose Tusyo Inc.

19. Ultimate parent undertaking and controlling party

The Company's immediate and ultimate parent undertaking, and the parent of the smallest group into which the Company is consolidated, is Hirose Tusyo Inc., a company registered and incorporated in Japan. Group accounts are publicly available from 7F MG Building, 19-3 Shinmachi 1-Chome, Nishi-ku, Osaka 550-0013.

There was no ultimate controlling party during the period.