Convergex Limited
Report and Financial Statements
For the year ended 31 December 2016

General information

Registered No. 06262150

Directors
Philip Gough
John Holl
Gregory Voetsch
Daniel Hodson

Secretary
Norose Company Secretarial Services Limited
3 More London Riverside
London SE1 2AQ

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors
Fullbright LLP
3 More London Riverside
London SE1 2AQ

Bankers
Barclays Bank PLC
United Kingdom House
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London W1D 1EA

Registered office
3 More London Place
London SE1 2AQ

Business addresses
16-18 New Bridge Street, 5th Floor
Blackfriars
London EC4V 6AG

Strategic report

Registered No. 06262150

The Directors present their Strategic report for Convergex Limited ("Company") for the year ended 31 December 2016.

Principal activities and review of the business

The Company is a wholly owned subsidiary of Convergex Group, LLC ("Group"). Convergex Holdings, LLC ("Holdings") owns 99 percent of the membership interests in Group, while GTCR Golder Rauner, LLC ("GTCR"), a private equity firm, owns the remaining membership interests in Group. Holdings is owned by GTCR, the Bank of New York Mellon Corporation ("BNY Mellon"), its management, and its current and former directors and employees (together, Holdings and Group to be referred to as "Convergex").

Principal activities

The principal activities of the Company during the year were:

Operations in the United Kingdom

- The provision of global algorithmic, direct market access and sales trading execution services to institutional and wholesale clients.
- International marketing of commission management services provided by Westminster Research Associates, LLC ("WRA").

Each of the foregoing activities was conducted through clearly identifiable Divisions of staff ("Divisions"). The Divisions align to relevant Convergex subsidiaries that support broadly the same businesses in the United States of America.

The Company's institutional clients include investment managers, hedge funds, corporations, plan sponsors, broker-dealers, and other financial intermediaries.

Operating model

The Company is authorized and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom ("UK") and passported under the Markets in Financial Instruments Directive, to receive and transmit client orders to Convergex Execution Solutions, LLC ("CES"), and to execute client orders as agent, in international capital markets on behalf of institutional and wholesale clients. The Company also acts in a sales and marketing capacity to develop clients for the affiliated business lines under Convergex who contract with clients directly.

Regulatory information

The Company is authorised and regulated by the FCA pursuant to the Financial Services & Markets Act 2000. All of the Company's undertakings were conducted within the permissions granted to the Company by the FCA.

Strategic report

Registered No. 06262150

Performance for the year

The results of the Company are set out in the income statement account on page 10. The net profit for the year amounted to £243,000 (2015 net profit: £383,000).

The Company's growth plan delivered increased commission revenue within an environment of lackluster market volume. A net profit of £243,000 (2015: £383,000) is reported after an increase in operating expenses as a result of investment associated with the Company's growth plan. The Directors are satisfied with the Company's performance and optimistic about the future prospects of the Company.

The Company's Key Performance Indicators for the years ended 31 December 2016 and 31 December 2015 are as follows:

	2016	*2015*
	£'000	*£'000*
Turnover	13,558	12,893
Operating expenses	(13,242)	(12,465)
Interest income	6	3
Net profit	243	383
Net assets	2,915	2,672
Average number of employees	24	20

Principal risks and uncertainties

Business risks concern the typical macroeconomic issues that affect markets in general, such as a weakening of economic conditions or a more challenging operating environment as a result of new technology, regulatory and statutory requirements.

The Company provides trade execution services to a broad range of clients across the buy- and sell-side firms of the financial services industry, including traditional asset managers, banks, hedge funds and other broker-dealers. The industry has operated within an environment of historically subdued volumes for a number of years and this continued through 2016. The Directors anticipate broadly similar market conditions in 2017 although a change in global or regional economic conditions, taxation policy or regulatory requirements could result in a fall in equity market volumes, and a commensurate decline in commission revenues earned. The Company strives to mitigate this risk through its diversified client base, low- and high-touch customer service models and its strategy to increase market share from new and existing clients.

The principal risks and uncertainties facing the Company are credit risk, liquidity risk, market risk, and operational risk, a review of each is included in note 13 to the financial statements. In addition, the Company faces certain environmental risk as detailed below:

Environmental risk

On the 29th March 2017, the United Kingdom triggered Article 50 of the Treaty of Lisbon which should result in the UK officially leaving the European Union no later than April 2019. There is a great deal of uncertainty regarding the terms of EU exit, which are subject to negotiation between the UK and the remaining EU Member States, and even the timing could change to allow further time for negotiation. A further transitional period is also a possibility which could extend the timeframe within which any practical impact relevant to the Company's business could arise. The Directors are mindful of the potential implications for the Company's business and have developed contingency plans to respond to any change within the regulatory framework in which it operates. The Company continues to monitor the situation closely.

Strategic report

Registered No. 06262150

The Directors are also mindful of the scale of regulatory change arising from the implementation of MiFID II / MiFIR (collectively "MiFID II)", which is scheduled to take place in January 2018. The Company has a full MiFID II implementation plan in place designed to deliver regulatory compliance under this new regulatory framework and has, further, aligned strategy and product development with the expected changes in market structure arising. Whilst some implementation costs will arise which will impact financial performance in 2017, the Directors view the implementation of MiFID II as a significant growth opportunity for its high-quality execution platform and planned Research Payment Account services, and expect such opportunities to start to positively impact financial performance in the latter part of 2017.

On behalf of the Board

Philip Gough, Director
21 April 2017

Directors' report

Registered No. 06262150

The Directors present their Directors' report and financial statements for Convergex Limited ("Company") for the year ended 31 December 2016.

Directors and their interests

The current Directors are shown on page 1. The following Directors have held office during the year since 1 January 2016:

Philip Gough
Gregory Voetsch
John Holl
Daniel Hodson

Recommended Dividend

The net profit for the year amounted to £243,000 (2015 net profit: £383,000). The Company's Directors did not recommend a dividend in 2016.

Future developments

The Directors have implemented a strategic plan designed to deliver growth in the core business line of equity execution solutions. The Company continues to invest in new Sales and Trading talent and its electronic trading platform, delivering performance enhancement to its proprietary algorithmic trading solutions and trade analytic tools.

The Directors anticipate growth in market share through 2017 using the Company's agency-only model, proprietary algorithmic trading solutions and trade analysis tools, trading expertise, flexible execution solutions combining both low- and high-touch services, and exceptional market coverage in targeted sales initiatives. The Directors also expect the Company to benefit from favourable regulatory and market structure trends as the industry moves towards the implementation of MiFID II at the end of 2017. Specifically, the Directors view the implementation of MiFID II as a significant opportunity for growth in the Company's high-quality execution platform as clients seek solutions to satisfy their best execution mandates. In addition, the Company plans to leverage the Group's commission management experience and expertise to offer clients solutions to the MiFID II unbundling requirements through a Research Payment Account outsourcing service.

On April 3, 2017, Cowen Group, Inc. ("Cowen") announced the signing of a definitive agreement under which Cowen will acquire Group for a total consideration, less certain closing adjustments, of $116 million in cash and Cowen common stock. The transaction is expected to close by the end of the second quarter of 2017.

Going concern

The financial statements of the Company have been prepared on the basis that the Company is a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future having taken into account that the Company incurred a profit during the year ended 31 December 2016. Additionally, the Company has considered performance forecasts for the foreseeable future. Lastly, the Directors have obtained confirmation of the intention of Group, the Company's intermediate parent undertaking, to maintain its limited financial support to enable the Company to meet its liabilities within the Convergex group of companies as they fall due. For this reason, the Company continues to adopt the going concern basis in the financial statements.

Directors' report

Registered No. 06262150

Directors' Liabilities

The Company indemnifies directors and officers against liability in respect of proceedings that may be brought by third parties, subject to the conditions set out in the Companies Act. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors report.

Equal opportunities

Convergex is committed to the equality of opportunity. In the recruitment of staff and their subsequent career development, individuals are considered solely on the basis of their aptitude and ability, irrespective of sex, marital status, race, age, sexual orientation, religion or disability.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with s.485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Philip Gough, Director
21 April 2017

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Strategic report, the Directors' report, and the financial statements in accordance with applicable laws 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to 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 and then apply them consistently;
- Make judgements and 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; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper 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.

Independent auditors' report to the members of Convergex Limited

We have audited the financial statements of Convergex Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standards applicable to the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion

In our opinion the financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of the Company's profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditors' report to the members of Convergex Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Helen Joseph (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 26 April 2017

Income Statement

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	1	13,558	12,893
Operating expenses		(13,242)	(12,465)
Operating profit	3	316	428
Interest income		6	3
Profit on ordinary activities before taxation		322	431
Taxation expense	4	(79)	(48)
Net profit		243	383

There are no components of other comprehensive income recognised as a part of total comprehensive income outside the income statement.

The notes on pages 14 to 22 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital	Capital Reduction Reserve	Profit & Loss Account	Shareholders Equity
	£000	£000	£000	£000
At 1 January 2015	1,650	125	514	2,289
Profit for the year	-	-	383	383
At 31 December 2015	1,650	125	897	2,672

	Called up share capital	Capital Reduction Reserve	Profit & Loss Account	Shareholders Equity
	£000	£000	£000	£000
At 1 January 2016	1,650	125	897	2,672
Profit for the year	-	-	243	243
At 31 December 2016	1,650	125	1,140	2,915

Statement of Financial Position

At 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	6	19	9
Tangible assets	7	161	190
		180	199
Current assets			
Debtors	8	196	232
Cash at bank		3,884	3,359
		4,080	3,591
Creditors: amounts falling due within one year	9	1,195	1,082
Net current assets		2,885	2,509
Total assets less current liabilities		3,065	2,708
Creditors: amounts falling due after more than one year	10	150	36
Net Assets		2,915	2,672
Capital and reserves			
Called up share capital	11	1,650	1,650
Profit and loss account		1,140	897
Capital reduction reserve		125	125
Shareholders' funds		2,915	2,672

The notes on pages 14 to 22 form part of these financial statements

The financial statements were approved by the Board of Directors on 21 April 2017 and were signed on its behalf by:

Philip Gough, Director

Statement of Cash Flows

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	322	431
Adjustments to reconcile net income to net cash used by operating activities		
Depreciation and amortization	53	89
Write-off of tangible fixed assets	-	28
Changes in operating assets and liabilities:		
Decrease in debtors	10	246
Increase in creditors	221	127
Tax (paid) / refunded	(46)	(87)
Net cash inflow from operating activities	560	834
Investing activities		
Purchase of tangible and intangible fixed assets	(35)	(89)
Net cash flow from investing activities	(35)	(89)
Increase in cash and cash equivalents	525	745
Cash and cash equivalents at 1 January	3,359	2,614
Cash and cash equivalents at 31 December	3,884	3,359

Notes to the financial statements

At 31 December 2016

1. **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. The financial statements of Convergex Limited ("Company") were approved for issue by the Board of Directors on 21 April 2017.

Convergex Limited is a limited liability company incorporated in England. The Registered Office is 3 More London Place London SEI 2AQ. The Company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Company for the year ended 31 December 2016.

The financial statements of the Company were authorised for issue by the Board of Directors on 21 April 2017. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

Going concern

The financial statements of the Company have been prepared on the basis that the Company is a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future having taken into account that the Company incurred a gain during the year ended 31 December 2016. Additionally, the Company has considered performance forecasts for the foreseeable future. Lastly, the Directors have obtained confirmation of the intention of Group, the Company's intermediate parent undertaking, to maintain its limited financial support to enable the Company to meet its liabilities within the Convergex group of companies as they fall due. For this reason, the Company continues to adopt the going concern basis in the financial statements.

Turnover recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured at the fair value of the consideration received.

Brokerage and commission income is recognised on an accruals basis. The Company earns commission revenue from brokerage activities relating to its own customers, in respect of which trades are executed by an affiliate, Convergex Execution Solutions LLC ("CES"). As part of the inter-company transfer pricing agreement with CES, all brokerage commissions relating to customers of the Company are received from CES net of an agreed percentage for clearing charges.

Notes to the financial statements

At 31 December 2016

1. Accounting policies (continued)

It also provides client support and order handling services on behalf of CES, and prospecting and marketing services to solicit clients and sales, on behalf of Westminster Research Associates LLC. The costs associated with these activities are marked up and treated as revenues on the Company's books and records. All sales support and marketing services are marked up at net cost plus mark up.

Interest Income

Interest income is recognised on an accruals basis.

Pension scheme arrangements

Certain of the Company's employees are members of a defined contribution occupational pension scheme. The Company is required to make monthly contributions to the plan on behalf of its employees. Contributions made to the defined contribution scheme during the period are recognised in the profit and loss statement in the period in which the contribution is payable.

Operating Leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term, on a straight line basis.

Foreign exchange, presentation and functional currency

The functional currency and presentation currency of the Company is pounds sterling. Transactions denominated in other currencies are translated into GBP at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities are translated into GBP at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on financial assets and financial liabilities are included in the income statement.

Related party transactions

The Company has taken advantage of the exemptions contained within FRS 102 section 33, and has not disclosed transactions with group companies which are wholly owned by a member of the group.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset as follows:

Furniture & fixtures – 4 to 15 years / straight-line method
Leasehold improvements – 3 to 5 years / straight-line method
Computer equipment – 4 years / straight-line method

The carrying values of tangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

At 31 December 2016

1. **Accounting policies (continued)**

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all intangible assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset as follows:

Purchased Software – 5 years / straight-line method

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Trade Receivables

Trade receivables are measured at fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Taxation

Provision is made for taxation at current rates on the taxable profits or losses.

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognized if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The Finance Act 2015 set the main rate of corporation tax at 20% for the Financial Year 2016; therefore, the deferred tax balance at 31 December 2016 is stated as 20%.

Notes to the financial statements

At 31 December 2016

2. Staff costs

	2016 £'000	2015 £'000
Staff costs:		
Wages and salaries	3,630	3,593
Social security costs	493	411
Pension costs	177	166
	4,300	4,170

Pension costs comprise the Company's contributions in respect of the defined contribution scheme.

The average monthly number of employees during the year was made up as follows:

	2016	2015
CES	23	18
Westminster Research Associates	1	1
Group	-	1
Total	24	20

Directors' emoluments

	2016 £'000	2015 £'000
Emoluments	551	585
Company contributions paid to money purchase pension schemes	24	26
Members of money purchase pension schemes	2	2

Executive and non-executive Directors who represent the Company's shareholder are paid fees for their duties as Directors which are included in the Director's emoluments section above. £367,674 of the total emoluments is attributable to the Company's highest paid Director (2015: £336,642). The non-executive Director who represents the Company's shareholders is paid nominal fees for his duties as Director.

3. Operating profit

	2016 £'000	2015 £'000
This stated after charging:		
Auditors' remuneration for - audit of financial statements	28	40
- audit related assurance services	-	10
- tax compliance services	5	5
Operating lease rental – land and buildings	99	63
Depreciation and amortization	53	118
Foreign exchange loss	46	30
Restructuring / Severance	4	125

Notes to the financial statements

At 31 December 2016

4. Taxation

(a) Analysis of tax charge in the period

	2016	*2015*
	£'000	*£'000*
Current tax:		
UK corporation tax charged at 20% less marginal relief (2015: 20.25%)	86	74
Adjustment in respect of previous periods	(6)	(56)
Total current tax	80	19
Deferred Tax:		
Adjustment in respect of previous periods	12	13
Origination and reversal of timing differences	(13)	(14)
Tax benefit of NOL carryback	-	30
Total deferred tax charge/(credit) – (Note 4c)	(1)	29

(b) Reconciliation of the tax charge

Profit on ordinary activities before taxation	322	431
Tax on ordinary activities at UK tax rate of 20% less marginal relief (2015: 20.25%)	65	87
Expenses not deductible for tax purposes	10	7
Adjustment in respect of previous periods – CT	(6)	(56)
Adjustment in respect of previous periods – DT	12	(5)
Effected rate change	(1)	(14)
Total tax charge for the year	80	19

(c) Deferred tax

Accelerated capital allowances	(10)	(5)
Trading losses available for future utilization	3	-
Deferred compensation	10	8
Employer pension contributions	3	2
Total deferred tax asset	6	5

The movement on the deferred tax asset and provision is shown below:

Balance at the beginning of the year	5	34
Amount charged in the profit and loss account for the year	1	(29)
Deferred tax asset balance at the end of the year	6	5

It is expected to be more likely than not that future profits will emerge against which the deferred tax asset will be realised.

Current tax	80	19
Deferred tax	(1)	29
Tax on profit on ordinary activities	79	48

Notes to the financial statements

At 31 December 2016

5. Pension scheme

During the year ended 31 December 2016, employees of the Company in the U.K. were members of Convergex Limited Pension Plan (the "U.K. Plan"). This Plan is a defined contribution pension scheme. The Plans' assets are held independently from those of the Company under a separately administered plan. The pension cost represents contributions paid by the Company to the fund on behalf of the employees during 2016 and 2015 and this amounted to approximately £177,100 and £169,300, respectively. Amounts outstanding as of the year end and payable related to the Plans were £13,644 and £15,310 at 31 December 2016 and 2015, respectively.

6. Intangible fixed assets

	Purchased Software £'000
Cost:	
At 1 January 2016	15
Additions	12
At 31 December 2016	27
Amortization:	
At 1 January 2016	6
Charge for the year	2
At 31 December 2016	8
Net book value:	
At 31 December 2016	19
At 31 December 2015	9

7. Tangible fixed assets

	Leasehold Improvement £'000	*Furniture & Fixtures £'000*	*Computer Equipment £'000*	*Total £'000*
Cost:				
At 1 January 2016	188	11	244	443
Additions	-	-	23	23
At 31 December 2016	188	11	267	466
Depreciation:				
At 1 January 2016	75	3	176	254
Charge for the year	23	1	27	51
At 31 December 2016	98	4	203	305
Net book value:				
At 31 December 2016	90	7	64	161
At 31 December 2015	113	8	68	189

Notes to the financial statements

At 31 December 2016

8. Debtors

	2016 £'000	2015 £'000
Prepayments	156	109
Deferred tax assets (note 4)	17	10
Corporation tax receivable	22	56
Other debtors	1	57
	196	232

9. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	147	189
Accruals	922	833
Accrued taxes	114	50
Deferred tax liabilities (note 4)	12	5
	1,195	1,077

Convergex provides a portion of each executive's and other highly compensated individual's annual bonus as a long-term cash award ("LTCA"). LTCA vests over 40 months of service, including the year for which the award was granted, and are payable at the end of that period. Compensation expense is accrued ratably over that period. (The Company does not have plans to make payments related to these deferred bonus programs in 2017.)

10. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Accruals	150	36

Convergex provides a portion of each executive's and other highly compensated individual's annual bonus as a long-term cash award ("LTCA"). LTCA vests over 40 months of service, including the year for which the award was granted, and are payable at the end of that period. Compensation expense is accrued ratably over that period. Payments to the employees are made on the payment date in the amount of the initial award by the percentage change in the value of any elected investment options. The plan had no material effect on the Company's financial position in 2016. The Company plans to make payments related to these deferred bonus programs of £139,994 in 2018, and £105,873 in 2019, respectively.

Notes to the financial statements

At 31 December 2016

11. Called up share capital

	Number	Authorised £'000	Number	Allotted called up and fully paid £'000
A shares of £1 each:	275,000	275	275,000	275
Ordinary shares of £0.50 each:	2,750,000	1,375	2,750,000	1,375
At 31 December 2015	3,025,000	1,650	3,025,000	1,650

	Number	Authorised £'000	Number	Allotted called up and fully paid £'000
A shares of £1 each:	275,000	275	275,000	275
Ordinary shares of £0.50 each:	2,750,000	1,375	2,750,000	1,375
At 31 December 2016	3,025,000	1,650	3,025,000	1,650

Capital Redemption Reserve

This reserve records the nominal value of shares repurchased by the Company.

12. Operating leases

For the year ended 31 December 2016 the Company made payments recognised as an expense for operating leases totalling £99,000 (£63,000 in 2015). At 31 December 2016 the Company had total future minimum lease payments under non-cancellable operating leases as follows;

	2016	2015
Operating leases which expire:	£'000	£'000
Not later than one year	117	7
Later than one year and not later than five years	394	511
Later than five years	-	-

13. Financial risk management policies and objectives

The Company is exposed through its operations to a number of risks, the most significant of which are credit, market and liquidity risk.

Each division under the Convergex has risk functions in place to manage the risk aspects of the business line, including the activity of that division under the Company. The policy for managing these risks is set by the Board of Directors, and is as follows:

Credit risk

It is the policy of the Company to hold cash balances in highly liquid funds with reputable, multi-national banking institutions to mitigate credit risk. This will provide the Company with immediate access to its own funds as needed

Credit risk is controlled by the Credit & Risk Management department ("CRM") by establishing exposure limits based on the financial condition and internal credit rating of new clients.

Notes to the financial statements

At 31 December 2016

Concentration risk is mitigated through the Company's diversified, cross-border client base. There is 1 customer that makes up 23.7% of total commission revenue. No other customer represented more than 10% of commission revenue during the year.

Market risk

The Company invests its capital in interest-bearing cash deposits. The cash balance is subject to market risk, which is the potential that future changes in the interest rate environment may reduce interest income.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its liabilities as they fall due. The Company's capital is invested in liquid assets. Generally, the majority of the Company's receivables and payables are with Convergex and other affiliated companies. Liquidity risk is managed by requesting payment in advance from Convergex for costs incurred on behalf of the affiliated US companies based on an estimate of the forthcoming month's expenditure. In this way, the Company is able to maintain its credit and liquidity risk exposures against Convergex and affiliated companies at a reasonable level.

Operational Risk

Convergex maintains an internal control framework to manage operational risk, along with a set of comprehensive policies and procedures overseen by senior management. Operational Risk Management ("ORM") as a distinct risk discipline incorporates governance and risk management activities comprising (i) ORM in Convergex uses a proprietary database to assess, monitor and calculate Key Risk Indicators (ii) business managers who ensure alignment of internal controls with their business risk profiles; and (iii) the Company's Audit & Risk Committee ("ARC") which oversees all aspects of operational risk management strategy. The ARC and Company's Board of Directors approves and oversees all outsourcing arrangements with Group and meets a minimum of four times per year to review risk management systems and discuss key risk aspects of the business, including disaster recovery and business continuity planning.

14. Ultimate parent undertaking

At both December 31, 2016 and December 31, 2015, the Company was a wholly owned subsidiary of Group. At December 31, 2016 and December 31, 2015, Holdings owns 99% of the membership interests in Group, while GTCR, a private equity firm, owns the remaining membership interests in Group. Holdings is owned by GTCR, BNY Mellon, its management, and its current and former directors and employees. The smallest group into which the Company is consolidated is Group and the ultimate parent undertaking is Holdings. Convergex is incorporated in the United States of America.

15. Subsequent Events

On April 3, 2017, Cowen Group, Inc. ("Cowen") announced the signing of a definitive agreement under which Cowen will acquire Group for a total consideration, less certain closing adjustments, of $116 million (USD) in cash and Cowen common stock. The transaction is expected to close by the end of the second quarter of 2017.