Registration number: 06262150

Cowen Execution Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

Contents

Company Information

Directors

Philip Gough	(Resigned 13/12/17)
Gregory Voetsch	(Resigned 21/06/17)
John Holl	
John Holmes	(Appointed 06/11/17)
Michael Healey	(Appointed 06/11/17)
Michael Page	(Appointed 15/12/17)

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

Independent Auditors
KPMG LLP (UK)
15 Canada Square
London E14 5GL

Solicitors
Fullbright LLP
3 More London Riverside
London SE1 2AQ

Registered office
3 More London Place
London SE1 2AQ

Business address
1 Snowden Street
11th Floor
London
EC2A 2DQ

Strategic report

Registered No. 06262150

The Directors present their Strategic report for Cowen Execution Services Limited ("Company") for the year ended 31 December 2017.

Principal activities and review of the business

The Company is a wholly owned subsidiary of Cowen Execution Holdco, LLC. On June 1st, 2017, the Company, along with its parent company Cowen Execution Holdco LLC (formerly Convergex Group LLC) ("Parent") and affiliated entities were acquired by Cowen CV Acquisition LLC, an indirect (wholly owned) subsidiary of Cowen Inc. ("Cowen"). These financial statements are consolidated in the financial statements of Cowen Inc., the ultimate parent. Copies of the parent's financial statements are available at the registered office of Cowen Inc., 599 Lexington Avenue, New York, NY 10022, USA or online at http://www.cowen.com.

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 Cowen 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 Cowen Execution Services, 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 Cowen 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 loss for the year amounted to £107,000 (2016 net profit: £243,000).

The Company's growth plan delivered increased commission revenue within an environment of lackluster market volume. A net loss of £107,000 (2016 net profit: £243,000) 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 2017 and 31 December 2016 are as follows:

	2017	*2016*
	£'000	*£'000*
Turnover	15,820	13,558
Operating expenses	(15,935)	(13,242)
Interest income	4	6
Net profit	(107)	243
Net assets	2,808	2,915
Average number of employees	24	24

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 2017. The Directors anticipate broadly similar market conditions in 2018 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:

People Risk

Our people are the most valuable resource. Our success depends upon the efforts, skill, reputations and business contacts of our senior professionals. Accordingly, the Company's continued success will depend on the continued service of these individuals. Therefore the loss of key personal could have a material adverse effect on the Company's results.

Strategic report

Registered No. 06262150

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 are developing contingency plans to respond to any change within the regulatory framework in which it operates. The Company continues to monitor the situation closely.

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 2018, 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 2018.

On behalf of the Board

John Holl, Director
10/04/2018

Directors' report

Registered No. 06262150

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

Directors and their interests

The current Directors are shown on page 1. The following Directors have held office during the year since 1 January 2017:

John Holmes (Appointed 6 November 2017)
Michael Healey (Appointed 6 November 2017)
Michael Page (Appointed 15 December 2017)
John Holl
Philip Gough (Resigned 13 December 2017)
Gregory Voetsch (Resigned 21 June 2017)
Daniel Hodson (Resigned 10 November 2017)

Recommended dividend

The net loss for the year amounted to £107,000 (2016 net profit: £243,000). The Company's Directors did not recommend a dividend in 2017.

Post balance sheet events

On January 19, 2018 the Company received £1,000,000 in exchange for issuance of 2,000,000 ordinary shares to its parent.

Future developments

The Directors are implementing a strategic plan designed to deliver growth in the core business line of equity execution solutions, and which benefits from the acquisition by Cowen Group, Inc. which was completed in 2017. 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 2018 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 forward from the implementation of MiFID II in January 2018. 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, and as such the Directors are including in their strategic planning an application to transact in a principal capacity. 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.

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. Additionally, the Company has considered performance forecasts for the foreseeable future. Lastly, the Directors have obtained confirmation of the intention of Parent, the Company's intermediate parent undertaking, to maintain its limited financial

Directors' report

Registered No. 06262150

support to enable the Company to meet its liabilities within the Cowen group of companies as they fall due. For this reason, the Company continues to adopt the going concern basis in the financial statements.

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.

Political donations

No political donations were made by the Company during 2017 (2016: nil).

Equal opportunities

Cowen 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 KPMG LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

John Holl, Director
10/04/2018

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Cowen Execution Services Limited for the year ended 31 December 2017

Opinion

We have audited the financial statements of Cowen Execution Services Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Position, the Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other Information

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

Independent Auditor's Report to the Members of Cowen Execution Services Limited for the year ended 31 December 2017

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 Ryder (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

E14 5GL

London

11/04/2018

Income Statement

	Note	*2017*	*2016*
		£'000	***£'000***
Turnover		15,820	13,558
Operating expenses		(15,935)	(13,242)
Operating (loss)/profit	3	(115)	316
Interest income		4	6
(Loss)/profit on ordinary activities before taxation		(111)	322
Taxation benefit/(expense)	4	4	(79)
Net (loss)/profit		(107)	243

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 2017

	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

	Called up share capital	Capital Reduction Reserve	Profit & Loss Account	Shareholders' Equity
	£000	£000	£000	£000
At 1 January 2017	1,650	125	1,140	2,915
Profit for the year	-	-	(107)	(107)
At 31 December 2017	1,650	125	1,033	2,808

Statement of Financial Position

At 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	6	-	19
Tangible assets	7	275	161
		275	180
Current assets			
Debtors	8	648	196
Cash at bank		3,439	3,884
		4,087	4,080
Creditors: amounts falling due within one year	9	1,360	1,195
Net current assets		2,727	2,885
Total assets less current liabilities		3,002	3,065
Creditors: amounts falling due after more than one year	10	194	150
Net Assets		2,808	2,915
Capital and reserves			
Called up share capital	11	1,650	1,650
Profit and loss account		1,033	1,140
Capital reduction reserve		125	125
Shareholders' funds		2,808	2,915

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

The financial statements were approved by the Board of Directors on 10 April 2018 and were signed on its behalf by:

J Holl

John Holl, Director

Statement of Cash Flows

For the year ended 31 December 2017

	2017 *£'000*	*2016* *£'000*
(Loss) / profit on ordinary activities before taxation	(111)	322
Adjustments to reconcile net income to net cash used by operating activities		
Depreciation and amortization	41	53
Changes in operating assets and liabilities:		
(Increase) / decrease in debtors	(707)	10
Increase in creditors	368	221
Tax paid	(16)	(46)
Net cash flow from operating activities	(425)	560
Investing activities		
Purchase of tangible and intangible fixed assets	(10)	(35)
Net cash flow from investing activities	(10)	(35)
Financing activities		
Repayment on capital element of finance leases	(10)	-
Net cash flow from financing activities	(10)	-
(Decrease) / increase in cash and cash equivalents	(445)	525
Cash and cash equivalents at 1 January	3,884	3,359
Cash and cash equivalents at 31 December	3,439	3,884

Notes to the financial statements

At 31 December 2017

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 Cowen Execution Services Limited were approved for issue by the Board of Directors on 10 April 2018.

Cowen Execution Services 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 2017. 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. 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 Cowen 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, Cowen Execution Services LLC. 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.

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 WRA. 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.

Notes to the financial statements

At 31 December 2017

1. Accounting policies (continued)

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.

Finance Leases

Finance lease obligations are recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account using the effective interest method to achieve a constant rate of interest on the remaining balance of the liability.

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 – 5 years / straight-line method
Leasehold improvements – 5 years / straight-line method
Computer equipment – 3 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. In conjunction with the acquisition, the Company transferred its furniture/fixtures and computer equipment at book value to the Parent.

Notes to the financial statements

At 31 December 2017

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 – 3 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. In conjunction with the acquisition, the Company transferred its intangible fixed assets at book value to the Parent.

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

The current tax charge is calculated 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.

Notes to the financial statements

At 31 December 2017

2. Staff costs

	2017	*2016*
	£'000	*£'000*
Staff costs:		
Wages and salaries	3,818	3,630
Social security costs	416	493
Pension costs	108	177
	4,342	4,300

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:

	2017	*2016*
Sales and Trading	23	23
Commission Management	1	1
Total	24	24

Directors' emoluments

	2017	*2016*
	£'000	*£'000*
Emoluments	700	550
Company contributions paid to money purchase pension schemes	-	24
Members of money purchase pension schemes	-	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. £675,004 of the total emoluments is attributable to the Company's highest paid Director (2016: £299,541). The non-executive Directors who represent the Company's shareholders are paid nominal fees for his duties as Director.

3. Operating profit

	2017	*2016*
	£'000	*£'000*
This is stated after charging:		
Auditor's remuneration for - audit of financial statements	17	28
- audit related assurance services	22	-
- tax compliance services	16	5
Operating lease rental – land and buildings	163	99
Depreciation and amortization	41	53
Foreign exchange loss	50	46
Restructuring / Severance	216	4

Notes to the financial statements

At 31 December 2017

4. Taxation

(a) Analysis of tax charge in the period

	2017	2016
Current tax:	£'000	£'000
UK corporation tax charged at 19.25% (2016: 20%)	-	86
Adjustment in respect of previous periods	(16)	(6)
Total current tax (benefit) / expense	(16)	80
Deferred Tax:		
Adjustment in respect of previous periods	14	12
Origination and reversal of timing differences	(2)	(13)
Total deferred tax expense / (benefit) – (Note 4c)	12	(1)
Total tax (benefit) / charge for the year	(4)	79

(b) Reconciliation of the tax charge

	2017	2016
Profit on ordinary activities before taxation	(111)	322
Tax on ordinary activities at UK tax rate of 19.25% (2016: 20%)	(21)	65
Expenses not deductible for tax purposes	19	10
Adjustment in respect of previous periods – current tax	(16)	(7)
Adjustment in respect of previous periods – deferred tax	14	12
Effected rate change	-	(1)
Total tax (benefit) / charge for the year	(4)	79

(c) Deferred tax

	2017	2016
Accelerated capital allowances	(12)	(10)
Trading losses available for future utilization	3	3
Deferred compensation	-	10
Employer pension contributions	3	3
Total deferred tax (liability) / asset	(6)	6

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

	2017	2016
Balance at the beginning of the year	6	5
Amount (charged) / credited in the profit and loss account for the year	(12)	1
Deferred tax (liabilities) / asset balance at the end of the year	(6)	6

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

On 8 July 2015, the UK Government announced a reduction in the UK corporation tax rate from 20 percent to 19 percent, effective from 1 April 2017. This tax rate has been enacted into law and results in a blended tax rate of 19.25 percent for the year ended 31 December 2017. On 16 March 2016, the UK Government announced a further reduction to the main rate of UK Corporation Tax to 17 percent, effective from 1 April 2020. This rate change has been substantively enacted at the balance sheet date and is reflected in these Financial Statements.

Notes to the financial statements

At 31 December 2017

5. Pension scheme

During the year ended 31 December 2017, the Company operated a defined benefit contribution pension scheme for the benefit of employees and directors. 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 2017 and 2016 and this amounted to £108,103 and £177,100, respectively. Amounts outstanding as of the year end and payable related to the Plans were £66,496 and £13,644 at 31 December 2017 and 2016, respectively.

6. Intangible fixed assets

	Purchased Software £'000
Cost:	
At 1 January 2017	27
Transfer to Parent	(27)
At 31 December 2017	-
Amortization:	
At 1 January 2017	8
Charge for the year	3
Transfer to Parent	(11)
At 31 December 2017	-
Net book value:	
At 31 December 2017	-
At 31 December 2016	19

7. Tangible fixed assets

	Leasehold Improvement £'000	*Furniture & Fixtures £'000*	*Computer Equipment £'000*	*Total £'000*
Cost:				
At 1 January 2017	188	11	267	466
Additions	-	-	221	221
Transfer to Parent	-	(11)	(277)	(288)
At 31 December 2017	188	-	211	399
Depreciation:				
At 1 January 2017	98	4	203	305
Charge for the year	23	-	15	38
Transfer to Parent	-	(4)	(215)	(219)
At 31 December 2017	121	-	3	124
Net book value:				
At 31 December 2017	67	-	208	275
At 31 December 2016	90	7	64	161

Notes to the financial statements

At 31 December 2017

8. Debtors

	2017 £'000	2016 £'000
Prepayments	128	156
Deferred tax assets (note 4)	6	17
Amounts due from group undertakings	492	-
Corporation tax receivable	22	22
Other debtors	-	1
	648	196

9. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to group undertakings	-	147
Accruals	1,314	922
Accrued taxes	6	114
Deferred tax liabilities (note 4)	12	12
Finance leases (note 12)	40	-
	1,372	1,195

The Company 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 27 months, after the award date, and are payable at the end of that period. Compensation expense is accrued rateably over that period. Payments to the employees are made on the payment date in the amount of the initial award including change in value of any elected investment options. The plan had no material effect on the Company's financial position in 2017. The Company plans to make payments related to these deferred bonus programs of £46,862 in 2018.

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

	2017 £'000	2016 £'000
Accruals	20	150
Finance leases (note 12)	162	-
	182	150

The Company provides a portion of each executive's and other highly compensated individual's annual bonus as a long-term cash award. LTCA vests over 27 months, after the award date, and are payable at the end of that period. Compensation expense is accrued rateably over that period. Payments to the employees are made on the payment date in the amount of the initial award including change in value of any elected investment options. The plan had no material effect on the Company's financial position in 2017. The Company plans to make payments related to these deferred bonus programs of £20,168 in 2019.

Notes to the financial statements

At 31 December 2017

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 2016	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 2017	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 and Finance leases

For the year ended 31 December 2017 the Company made payments recognised as an expense for operating leases totalling £163,000 (£99,000 in 2016). At 31 December 2017 the Company had total future minimum lease payments under non-cancellable operating leases as follows;

	2017	2016
Operating leases which expire:	*£'000*	*£'000*
Not later than one year	128	117
Later than one year and not later than five years	266	394

During the year ended 31 December 2017 the Company entered into a finance lease to purchase computer equipment. The net carrying amount of finance leases for the year ended 31 December 2017 amounted to £202,000 (2016: nil). At 31 December 2017 the Company had total future minimum lease payments under non-cancellable finance leases as follows;

	2017	2016
Finance leases which expire:	*£'000*	*£'000*
Not later than one year	46	-
Later than one year and not later than five years	174	-

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 in the Company 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:

Notes to the financial statements

At 31 December 2017

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 by establishing exposure limits based on the financial condition and internal credit rating of new clients.

Concentration risk is mitigated through the Company's diversified, cross-border client base. There is one client that makes up 18.9% of total commission revenue. No other client represented more than 10% of commission revenue during the year.

Market risk

The Company maintains its operating capital in interest-bearing cash accounts. 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 Cowen and other affiliated companies. Liquidity risk is managed by requesting payment in advance from Cowen 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 Cowen and affiliated companies at a reasonable level.

Operational Risk

The Company 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 Cowen 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 December 31, 2017 the Company was a wholly owned subsidiary of Cowen Execution Holdco, LLC. On June 1st, 2017, the Company, along with its parent company Cowen Execution Holdco LLC (formerly Convergex Group LLC) and affiliated entities were acquired by Cowen CV Acquisition LLC, an indirect (wholly owned) subsidiary of Cowen Inc.

15. Subsequent Events

On January 19, 2018 the Company received £1,000,000 in exchange for issuance of 2,000,000 ordinary shares to its parent.