

STIFEL NICOLAUS EUROPE LIMITED

Annual Report and Financial Statements

Registered No: 03719559

31 December 2019

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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COMPANY INFORMATION

Directors

C Ashton
V Nesi
E O'Leary
J Owen

Secretary

Goodwille Ltd

Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Registered office for the Company and its subsidiaries

4th Floor
150 Cheapside
London
EC2V 6ET

Strategic report

The strategic report for the year ended 31 December 2019 for Stifel Nicolaus Europe Limited (“SNEL” or “the Company”) is as follows:

Principal activities and business review

The principal activities of the Company are the provision of institutional broking and investment banking services. The activities encompass institutional sales and trading in fixed income and equities, equity research, as well as investment banking services serving both debt and equity capital markets. Other activities of the Company consist of acting as an introducing broker to European institutional investors primarily for North American equities. The Company has its headquarters in the UK, branches in Zurich and Madrid and a representative office in Geneva which is operated by a subsidiary, Stifel Europe Geneva SA. The Company is an investment firm authorised and regulated by the Financial Conduct Authority (FCA). The Company is limited by shares.

In November 2019 the Company completed the acquisition of MainFirst, an independent European investment bank offering equity brokerage and equity capital markets services to institutions and corporations in key European markets. MainFirst operates out of offices in Frankfurt, Geneva, London, Madrid, Milan, Munich, New York, Paris and Zurich.

Review of business and future developments

The Company’s key financial and other performance indicators for the year were as follows:

	2019 £'000	2018 £'000
Revenue	125,402	123,661
(Loss)/profit after tax	(5,375)	464
Net current assets	108,681	53,189
Capital employed	176,925	73,977
Ratio of current assets to current liabilities	1.75 times	1.41 times
Return on capital employed	-1.9%	2.3%
Average number of employees	301	264

The Company’s turnover increased by 1% and administrative expenses increased by 5% leading to a current year loss after tax of £5,375,000 compared to the prior year profit after tax of £464,000.

The year-end financial position was satisfactory. The Company issued new share capital in the form of 99,788,675 ordinary shares for £1 per share during the year.

The directors intend to continue to assess relevant opportunities to develop or expand the Company’s activities provided these are consistent with the Company’s business strategy and direction.

Strategic report (continued)

Principal risks and uncertainties

There are a number of risks and uncertainties which could have an impact upon the Company's performance, many of which are inherent in its business and operations. In addition, the Company operates in a highly competitive and rapidly changing environment. Risks related to its business include the health of European, U.S. and other national stock markets and investor appetite for new and secondary issues, thus difficult market conditions could adversely affect its business. The Company is dependent upon the reputation, judgement, business generation capabilities and project execution skills of its senior professionals and retention of these individuals is important to our business. The Company manages its operational and reputational risk by promoting a culture of good ethics and compliance throughout the Company. The following are some important risk factors that could affect its business and its industry. These risks are not exhaustive and additional factors may impact its business and financial performance.

Market risk

The potential for changes in the value of financial instruments owned by the Company resulting from changes in equity prices and interest rates is referred to as market risk. Market risk is inherent to financial instruments, and accordingly, the scope of the Company's market risk management procedures includes all market risk-sensitive financial instruments.

Changes in value of the Company's financial instruments may result from fluctuations in equity prices, interest rates and credit ratings and the correlation among these factors, along with the level of volatility.

Foreign exchange risk

Foreign exchange risk is the risk that fluctuations in exchange rates will result in changes in net income or cash flows in monetary assets and liabilities denominated in foreign currencies. The Company's functional currency is GBP. The Company executes trades in various currency denominations for which the majority of income is then settled in GBP. Income earned in foreign currencies is routinely exchanged for GBP after settlement. The Company has chosen not to hedge its foreign currency balances but will do so should circumstances be appropriate.

Credit risk

The Company utilises a number of firms to clear and execute trades. The Company also trades in loans on a matched principal basis. In the event counterparties do not fulfil their obligations, the Company may be exposed to credit risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. The Company manages this risk by imposing and monitoring position limits for counterparties, monitoring trading counterparties, conducting regular credit reviews of financial counterparties, reviewing security concentrations, and conducting business through clearing organisations which guarantee performance.

Liquidity risk

Liquidity risk is defined as the risk of only being able to meet liquidity commitments at increased cost or, ultimately, being unable to meet obligations as they fall due. The Company holds its cash balances on very short maturities and it had significant net cash balances as of the balance sheet date. During 2019, after completing its first Internal Liquidity Adequacy Assessment Process, the Company established a Liquid Asset Buffer, comprising short-dated UK gilts, of approximately £7m.

Strategic report (continued)

Operational risk

Operational risk generally refers to the risk of loss resulting from inadequate or failed internal processes, including, but not limited to, improper or unauthorised execution and processing of transactions, deficiencies in technology or financial operating systems, and inadequacies or breaches in control processes. This risk includes risks arising from Human Resources (loss of personnel), IT, legal and compliance and regulatory. Such events may also bring reputational risk, which can have longer term financial consequences. These risks are less direct than market and credit risk, but managing them is critical, particularly in a rapidly changing environment with increasing transaction volumes.

The Company manages operational risk through continual assessment, reporting and monitoring of potential operational risks. These risks are monitored by various corporate administration functions with oversight by the risk function, management and the board. Certain business processes are outsourced to third party vendors in order to optimise business efficiencies and operational risk levels. The Company has a Conduct policy that is supported by senior management and implemented through a strong Legal and Compliance framework.

Brexit risk

The positive economic backdrop was muted for much of 2019 by concerns over a hard Brexit outcome, but once this risk dissipated, business volumes recovered. Following the decisive general election victory, the new UK government has a clear mandate on Brexit. Although Brexit uncertainty continues to present challenges for the markets in which the Company operates, the Company believes the acquisition of MainFirst during 2019 will serve to help mitigate the risk of whatever is the final outcome on Brexit.

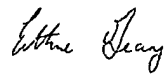
Coronavirus COVID-19

In early 2020 the existence of a new coronavirus ("COVID-19") was confirmed. A separate note on the coronavirus is set out under post balance sheet events in the Directors' Report on page 6 and in note 22 to the financial statements.

FCA Pillar 3 disclosures

The Company's disclosures relating to FCA Pillar 3 requirements are available on the Company's website (<http://www.stifel.com/institutional/StifelEurope>).

By order of the Board



Eithne O'Leary
Director

Date: 5 May 2020

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

Loss for the year after tax was £5,375,000 (2018: profit after tax £464,000). Dividends of £Nil were distributed for the year ended 31 December 2019 (2018: £Nil).

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 Principal activities and Business Review on page 3 of this report. In addition, set out below is a discussion of the Company's objectives, policies and processes for managing its financial risk and its exposures to those risks.

The Company has adequate financial resources together with long-term relationships with a number of customers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have, on the basis of their assessment of the Company's financial position and of the enquiries made of the parent Stifel Financial Corp., reasonably concluded that the Company will be able to continue in operational existence for the foreseeable future. In making this assessment the directors have taken into consideration the possible effects of the Covid-19 pandemic as further described in note 22 below. Furthermore, the Company is wholly supported by its ultimate parent company, Stifel Financial Corp., which has sufficient resources to continue to support the Company. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed which has since spread to almost all countries of the world, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Currently, it is estimated that the liquidity and solvency of the Company will not be severely impacted as a consequence of the COVID-19 outbreak.

The Company has reviewed the exposures of its balance sheet and has taken, and continues to take, actions to further reduce the Company's sensitivity to economic shocks. The Company has undertaken a reforecast and stress testing of its business model to ensure that sufficient liquid resources and regulatory capital remain within the Company during what is currently expected to be the virus period. The Company is satisfied with the outcome of this exercise. Based on the work that has been undertaken the Company does not expect an impairment of goodwill, other intangibles or property, plant and equipment as there was significant headroom when an impairment test was undertaken at the year end.

That said, the situation is rapidly evolving and without precedent and thus the Company will continue to review the situation on an on-going basis.

The Company's number one priority is to protect the health and safety of its employees and the Company has taken and will continue to take any measures it considers appropriate to achieve this aim. The Company has implemented infection control procedures at its operations as recommended by local government and health regulation.

The only other material post balance sheet event is disclosed in note 23.

Employees

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular skills and experience. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the Company to ensure their continued employment and engagement with the business.

Directors' report (continued)

Directors

The directors of the Company who held office during the year ended 31 December 2019 are listed below:

C Ashton	
E Davis	(appointed 14 May 2019, resigned 21 November 2019)
S Harman	(resigned 30 April 2019)
R Mann	(resigned 21 November 2019)
T Michaud	(resigned 21 November 2019)
V Nesi	
E O'Leary	
J Owen	
C Siegel	(resigned 21 November 2019)
R C Wynne-Griffith	(resigned 21 November 2019)

Directors' Indemnities

The Company has granted an indemnity to certain directors against liabilities in respect of proceedings brought by third parties, subject to the conditions set out in Section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions were in place during the relevant financial year and remain in force as at the date of approving the Directors' Report.

Charitable donations and political contributions

The Company made charitable donations of £20,457 in 2019 (2018: £33,447). The Company made political contributions of £Nil in 2019 (2018: £Nil).

Disclosure of information to auditors

Each of the directors at the date of approval of this Report and Audited Financial Statements has confirmed that:

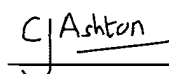
- So far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each of the directors has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

Ernst & Young LLP, Registered Auditor shall continue in office in accordance with Section 487 of the Companies Act 2006 ("the Act").

By order of the Board



Charles Ashton
Chief Financial Officer

Date: 5 May 2020

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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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. The directors have elected to prepare the financial statements in accordance with UK GAAP. In preparing those 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;
- 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Stifel Nicolaus Europe Limited

Opinion

We have audited the financial statements of Stifel Nicolaus Europe Limited for the year ended 31st December 2019 which comprise the Statement of Profit or Loss, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 23, 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31st December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1: Going concern and Note 22: Coronavirus COVID-19 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting the financial markets and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report (continued) to the members of Stifel Nicolaus Europe Limited

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 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 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 set out on page 8, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditors' report (continued)
to the members of Stifel Nicolaus Europe Limited

Use of our report

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

Ernst & Young LLP

Thomas Slater (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 5 May 2020

Statement of profit or loss for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	2	125,402	123,661
Cost of sales		(9,738)	(8,237)
Gross profit		115,664	115,424
Administrative expenses		(119,080)	(113,708)
Total administrative expenses		(119,080)	(113,708)
Operating (loss)/profit	3	(3,416)	1,716
Interest income	4	333	81
Interest expense	5	(1,063)	(860)
(Loss)/profit before tax		(4,146)	937
Taxation	6	(1,229)	(473)
(Loss)/profit for the financial year		(5,375)	464

The Company's results for the years shown above arose solely from continuing activities.

**Other comprehensive (loss)/income
for the year ended 31 December 2019**

	Notes	2019 £'000	2018 £'000
(Loss)/profit for the financial year		(5,375)	464
Movement in fair value reserve of financial assets at FVOCI		(33)	-
Currency translation differences		(30)	15
Total comprehensive (loss)/income for the year		(5,438)	479

Balance sheet

at 31 December 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Goodwill	8	21,060	10,998
Intangible assets	8	3,002	2,402
Tangible assets	9	9,370	3,449
Investments in subsidiaries	10	32,935	1,117
Deferred tax asset	7	1,877	2,822
		<u>68,244</u>	<u>20,788</u>
Current assets			
Investments	11	24,405	15,899
Debtors and other assets	12	165,366	143,400
Cash at bank and in hand		64,591	24,242
		<u>254,362</u>	<u>183,541</u>
Creditors: amounts falling due within one year	13	(145,681)	(130,352)
		<u>108,681</u>	<u>53,189</u>
Total assets less current liabilities		<u>176,925</u>	<u>73,977</u>
Creditors: amounts falling due after more than one year	14	(17,673)	(9,216)
		<u>159,252</u>	<u>64,761</u>
Net assets		<u>159,252</u>	<u>64,761</u>
Capital and reserves			
Share capital	16	155,007	55,218
Capital contributions		34,255	34,255
Fair value reserve of financial assets at FVOCI		(33)	-
Exchange differences		17	47
Profit and loss account		(29,994)	(24,759)
		<u>159,252</u>	<u>64,761</u>
Equity shareholder's funds		<u>159,252</u>	<u>64,761</u>

These financial statements were approved and authorised for issue by the Board of Directors on 5 May 2020:

Signed on behalf of the Board of Directors



Charles Ashton
Director

Date: 5 May 2020

Registered number: 03719559

The notes on pages 17 to 49 form part of these financial statements.

STIFEL NICOLAUS EUROPE LIMITED

Statement of changes in equity
at 31 December 2019

2018	Share capital £'000	Capital contributions £'000	Exchange differences £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2018 (as originally stated)	46,718	34,255	32	(24,830)	56,175
Effect of change in accounting policy - IFRS15	-	-	-	(199)	(199)
Balance at 1 January 2018 (restated)	46,718	34,255	32	(25,029)	55,976
Total comprehensive income for the year					
Profit	-	-	-	464	464
Other comprehensive income	-	-	15	-	15
Total comprehensive income for the year	-	-	15	464	479
Current tax on share based payments	-	-	-	288	288
Deferred tax on share based payments	-	-	-	(482)	(482)
Issue of share capital	8,500	-	-	-	8,500
Equity-settled share based payments	-	3,624	-	-	3,624
Settlement of share based payments	-	(3,624)	-	-	(3,624)
Balance at 31 December 2018	55,218	34,255	47	(24,759)	64,761

Statement of changes in equity (continued)
 at 31 December 2019

	Share capital	Capital contributions	Fair value reserve of financial assets at FVOCI	Exchange differences	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
2019						
Balance at 1 January 2019 (as originally stated)	55,218	34,255	-	47	(24,759)	64,761
Effect of change in accounting policy - IFRS 16					6	6
Balance at 1 January 2019 (restated)	55,218	34,255	-	47	(24,753)	64,767
Total comprehensive expense for the year						
Loss	-	-	-	-	(5,375)	(5,375)
Other comprehensive income/ (expense)	-	-	(33)	(30)	-	(63)
Total comprehensive expense for the year	-	-	(33)	(30)	(5,375)	(5,438)
Deferred tax on share based payments	-	-	-	-	134	134
Issue of share capital	99,789	-	-	-	-	99,789
Equity-settled share based payments	-	4,266	-	-	-	4,266
Settlement of share based payments	-	(4,266)	-	-	-	(4,266)
Balance at 31 December 2019	155,007	34,255	(33)	17	(29,994)	159,252

Notes to the financial statements at 31 December 2019

1. Accounting Policies

The financial statements of Stifel Nicolaus Europe Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 5 May 2020 and the balance sheet was signed on the board's behalf by Charles Ashton. Stifel Nicolaus Europe Limited is incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. Certain amounts from prior periods have been reclassified to conform to the current period's presentation. The effect of these reclassifications on the Company's previously reported financial statements was not material. The Company has used a true and fair view override in respect of the non-amortisation of goodwill (see note 8).

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Stifel Financial Corp. The consolidated financial statements of Stifel Financial Corp. are available from the Chief Financial Officer, Stifel Financial Corp., 501 North Broadway, St Louis, MO 63102-2102, USA.

The principal accounting policies adopted by the Company are set out below:

Basis of preparation

The accounting policies in Note 1 set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45 (b) and 46-52 of IFRS 2 *Share-based Payment*, because the share-based payment arrangement concerns the instruments of another group entity and the equivalent disclosures are included in the consolidated financial statements of its ultimate parent undertaking, Stifel Financial Corp.
- b) the requirements of paragraphs 62, B64 (d), B64 (e), B64 (g), B64 (h), B64 (j) to B64 (m), B64 (n) (ii), B64 (o) (ii), B64 (p), B64 (q) (ii), B66 and B67 of IFRS 3 Business Combinations, on the grounds that equivalent disclosures are included in the financial statements of its ultimate parent undertaking, Stifel Financial Corp.
- c) the requirements of IFRS 7 Financial Instruments: Disclosures, on the grounds that equivalent disclosures are included in the financial statements of its ultimate parent undertaking, Stifel Financial Corp. Further, as at 31 December 2019 the directors consider that the Company is not a financial institution;
- d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement, on the grounds that equivalent disclosures are included in the financial statements of its ultimate parent undertaking, Stifel Financial Corp.
- e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i) paragraph 79 (a) (iv) of IAS 1;
 - ii) paragraph 73 (e) of IAS 16 *Property, Plant and Equipment*;
 - iii) paragraph 118 (e) of IAS 38 *Intangible Assets*;
- f) the requirements of paragraphs 10 (d), 10 (f), 39 (c) and 134-136 of IAS 1 Presentation of Financial Statements;
- g) the requirements of IAS 7 Statement of Cash Flows;
- h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- j) the requirements of paragraphs 130 (f) (ii), 130 (f) (iii), 134 (d) - 134 (f) and 135 (c)-135 (e) of IAS 36 Impairment of Assets, on the grounds that equivalent disclosures are included in the financial statements of its ultimate parent undertaking, Stifel Financial Corp.

Notes to the financial statements (continued) at 31 December 2019

1. Accounting Policies (continued)

New and amended standards and interpretations

IFRS 16, capitalised leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). The Company has made use of both exemptions.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset, which will lead to a higher charge being recorded in the income statement compared to IAS 17. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Prior to implementation, the Company performed a detailed impact assessment of IFRS 16 and decided to apply the modified retrospective approach as permitted by the standard. The Company recognises a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. As permitted by the standard, this amount is equal to the lease liability, adjusted for any prepayments or accrued lease payments relating to that lease. The lease liability is measured at an amount equal to the outstanding lease payments at the date of initial application, considering extension and termination options, discounted at the Company's incremental borrowing rate in the economic environment of the lease. The capitalised right-of-use asset consists of office property and both this and the lease liability equal approximately £8m.

Prospective changes in Accounting Policy and Disclosures

A number of IFRSs and amendments to IFRS were in issue at 31 December 2019 that would affect the Company from 1 January 2020 or later:

The amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policy, Changes in Accounting Estimates and Errors' on the definition of material were issued in October 2018 and are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments are aimed at improving the understanding of the existing requirements rather than to significantly impact current materiality judgements. They provide a new definition of material which shall be used to assess whether information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IFRS 3 'Business Combinations' which clarify the definition of a Business were issued in October 2018, are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively with earlier application permitted. They clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test.

Effective in 2022 - IFRS 17 'Insurance contracts' was issued in May 2017 to replace IFRS 4 and to establish a comprehensive standard for inceptors of insurance policies. The effective date is 1 January 2021, subject to IASB's approval of a deferral until 1 January 2022.

The Company is assessing the effect of adopting these standards on its financial statements.

Notes to the financial statements (continued) at 31 December 2019

1. Accounting Policies *(continued)*

Going concern

The Company's accounts have been prepared on a going concern basis as the directors believe that the Company will continue to trade actively for the foreseeable future.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the directors have taken into consideration the possible effects of the Covid-19 pandemic as further described in note 22 below.

Furthermore, the Company is wholly supported by its ultimate parent company, Stifel Financial Corp., which has sufficient resources to continue to support the Company.

The Company has strengthened its balance sheet in the year. This is as a result of capital injections relating to the Company's expanding business and also with sufficient cash being generated in the year to meet financial obligations as they fall due.

Foreign currency translation

The presentation currency of the Company is GBP, which is also the Company's functional currency. The Company has a foreign operation, the Spanish Branch, the activities of which are based in a functional currency of EUR. The functional currency of the Company and its foreign operation are determined based on the primary economic environment in which the Company operates.

Foreign currency monetary assets and liabilities are translated into the functional currency at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Any foreign exchange differences are taken to the statement of profit and loss account in the year in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are carried on the balance sheet translated into the functional currency at historical rates of exchange determined using the year end rate of exchange for the year in which they were acquired. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

On preparation of these financial statements, the results and financial position of the foreign operation is translated into the presentation currency of the Company as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet.
- Income and expense items are translated at exchange rates ruling at the date of the transaction.

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting Policies (continued)

Group reorganisations

Where a business is transferred to the Company from another entity under common control, the directors determine the appropriate accounting approach based on an assessment of whether the transfer has economic substance.

- In the event that the transaction has economic substance, it is accounted for under the acquisition method.
- In the event that the transaction does not have economic substance, it is accounted for under the pooling of interests method. The pooling of interest method requires that the transfer be reflected as having effect from the date that the transaction occurred. Prior periods are not restated.

Acquisitions

Business acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred, measured at acquisition-date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

Intangible assets and goodwill

Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

For group reorganisations goodwill has been initially measured at the carrying amounts that would have been reported in the consolidated financial statements of Stifel Financial Corp., had those accounts been prepared under FRS101, as required by the pooling of interests method. For acquisitions, goodwill is initially measured at cost being the excess of the acquisition-date fair value of the consideration transferred over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units. Each unit to which goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Intangible assets

For group reorganisations intangible assets have been initially measured at the carrying amounts that would have been reported in the consolidated financial statements of Stifel Financial Corp., had those accounts been prepared under FRS101, as required by the pooling of interests method. For acquisitions intangible assets are initially measured at their acquisition-date fair values.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised. Intangible assets are amortised over expected useful lives as following:

Customer contracts	3 years straight line
Customer relationships	9 years straight line
Trade name	15 years straight line
Non-compete agreements	life of agreements, straight line

Notes to the financial statements (continued)

at 31 December 2019

1. Accounting Policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the balance sheet – refer to the accounting policy in Note 1 (leases). Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a reducing balance basis over the expected useful economic lives of the assets concerned. The expected useful economic lives of the assets used for this purpose are:

Leasehold improvements	Life of the lease
Communications equipment	3-7 years
Computer equipment	3 years
Furniture	7 years

Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

Investments in group undertakings

Investments in subsidiaries are carried at cost less impairment, if any.

Financial assets and financial liabilities

Classification

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss or loans and receivables as appropriate. Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or loans and borrowings as appropriate. The Company determines classification at initial recognition.

Recognition and measurement

All financial assets and liabilities are recognised initially at fair value.

Purchases or sales of financial assets are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The subsequent measurement of financial assets and liabilities depends on their classification

- Financial assets and liabilities at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance revenue or finance expense in the income statement.
- Interest bearing loan, receivables and borrowings are subsequently measured at amortised cost using the effective interest method.
- The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Notes to the financial statements (continued) at 31 December 2019

1. Accounting Policies (continued)

De-recognition of financial assets and liabilities

A financial asset is derecognised when the rights to receive cash flows from the asset have expired. A financial liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Securities borrowing

Securities borrowing transactions are generally entered into on a collateralised basis. In such transactions, the Company typically borrows equity securities in exchange for cash collateral. The transactions are normally conducted under standard agreements employed by financial market participants and are undertaken with counterparties subject to the Company's normal credit risk control processes. The Company monitors on a daily basis the market value of the securities received and provides additional collateral or returns or recalls surplus collateral in accordance with the underlying agreements. Cash collateral delivered is derecognised and a corresponding receivable reflecting the Company's right to receive it back is recorded in trade debtors. The securities which have been transferred are not recognized on the balance sheet unless the risks and rewards of ownership are also transferred. The sale of securities which is settled by delivering securities received in a borrowing transaction generally triggers the recognition of a trading liability (short sale).

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Brokerage income is attributable to institutional sales and trading in the UK and elsewhere in Europe in both fixed income and equities, as well as brokerage commissions primarily with respect to securities traded on United States stock exchanges on behalf of European institutional investors. This revenue is recognised on trade date. Included in Brokerage income is revenue from commission sharing agreements and similar arrangements which is recognised upon payment or notification of payment by the counterparty.

Investment banking income includes commissions related to capital raising and advisory fees to both public and private companies. Revenue is recorded at the time the transaction is completed and the related income is reasonably determinable and when, under the terms of the contract, the conditions have been met such that the Company is entitled to the fees specified.

Principal transactions income includes revenue generated through matched principal loans brokerage, principal trading in equities and convertible debt securities and gains or losses on financial instruments carried at fair value. This revenue is recognised on trade date.

Other income relates primarily to intercompany payments received under transfer pricing agreements between the Company and affiliates, Stifel Financial Corp. and Keefe, Bruyette & Woods, Inc. This revenue is recognised on trade date.

Interest income is recognised in profit or loss as it accrues.

Cost of sales

Cost of sales are the trade execution and settlement costs incurred in the generation of commissions and principal trading revenue. Also included are advisory and other costs incurred as part of investment banking transactions. Costs of sales are recognised on a trade date basis.

Notes to the financial statements (continued) at 31 December 2019

1. Accounting Policies (continued)

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities, and their carrying amounts in the financial statements, with the following exceptions:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of profit or loss.

Share-based payments

The Company has applied the requirements of IFRS 2 Share-based Payment.

The Company's ultimate parent issues restricted stock units to certain employees of the Company and these are accounted for as equity-settled transactions. Restricted stock units are measured at fair value at the date of grant based on the market value of Stifel Financial Corp.'s stock on such date. The fair value determined at the grant date of the restricted stock unit is expensed on a straight-line basis over the vesting period, based on an estimate of shares that will eventually vest.

Operating lease commitments

Obligations in respect of leases on the Company's offices are capitalised on inception and amortised on a straight line basis over the lease term. Rentals payable in respect of operating leases on computer equipment are charged to the profit and loss account on a straight line basis over the lease term.

Significant accounting judgements and estimates

The preparation of financial statements requires the directors to make judgements, 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 items in the financial statements where these judgments and estimates have been made include:

Goodwill and Intangible Assets

The Company recognises intangible assets acquired as part of a business combination at fair value at the date of acquisition and is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights. The Company assesses whether the useful economic life of the intangible assets is finite or indefinite. The directors have estimated the useful economic lives of intangible assets as described in the accounting policies.

The directors have estimated the value in use of the cash generating units as described in note 8 when assessing the goodwill and intangibles for impairment

Notes to the financial statements (continued) at 31 December 2019

1. Accounting Policies (continued)

Significant accounting judgements and estimates (continued)

Contingent consideration on acquisitions

Where acquisitions include contingent consideration the directors determine the fair value value of the consideration based on estimates of the applicable contingencies.

Taxation

Uncertainties exist with respect to the amounts of current tax expected to be paid or recovered due to the interpretation of tax legislation, changes in tax regulations, and the amount and timing of future taxable income, resulting in the establishment of provisions by the Company depending upon reasonable estimate of the outcome to treatment of certain transactions by the responsible tax authority. The amount of current tax provisions is based on factors, such as experience of previous tax assessments and differing interpretations of tax laws by the Company and the tax authority in the country of operation.

The directors exercise judgement in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Share based payments

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instrument at the date at which they are granted. Estimating fair value for share-based payments transactions requires determining the most appropriate valuation model, which is dependent upon the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including expected forfeiture rates and making assumptions about them.

Notes to the financial statements (continued)

at 31 December 2019

2. Turnover

	2019 £'000	2018 £'000
Brokerage income	34,585	34,187
Investment banking	67,403	62,461
Principal transactions gains & losses	12,930	16,668
Research income	10,199	8,453
Transfer pricing income from affiliates	180	1,854
Other revenue	105	38
	<u>125,402</u>	<u>123,661</u>

The Company's Spanish branch had turnover of £1,184,000 during the year (2018: £1,357,000), and its Swiss branches had turnover of £2,316,000 (2018: £2,763,000), with the remainder of turnover arising in the UK.

3. Operating (loss)/profit

This is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	2,689	820
Amortisation of intangible fixed assets	589	443
Auditors' remuneration:		
Professional fees	179	179
Other assurance services	11	11
Foreign exchange losses	305	346
Operating leases – Land and buildings	-	2,111
Operating leases – Other	111	263
	<u> </u>	<u> </u>

(a) Employee costs and information

	2019 £'000	2018 £'000
Staff Costs		
Wages and salaries	72,567	68,956
Social security costs	9,271	9,602
Pension costs	1,082	1,004
Share based payments	4,266	3,624
	<u>87,186</u>	<u>83,186</u>

The number of full time equivalents at 31 December 2019 was 327 (2018: 285). Average full time equivalents for the year ended 31 December 2019 was 301 (2018: 264).

Notes to the financial statements (continued)

at 31 December 2019

3. Operating profit (continued)

(a) Employee costs and information (continued)

The Company may make discretionary contributions to an employee's money purchase scheme. The Company operates a defined contribution pension scheme for certain employees. The pension charge represents the amounts payable by the Company to the fund and to employees' money purchase schemes in respect of the year.

Contributions amounting to £Nil (2018: £2,000) were payable as at 31 December 2019 under the schemes and are included in creditors.

(b) Directors' emoluments

	2019 £'000	2018 £'000
Directors' emoluments in respect of services to the Company	4,113	5,257
Employer pension contributions	24	26
	<u>4,137</u>	<u>5,283</u>

The emoluments including shared based payments of the highest paid director were £1,032,000 (2018: £1,093,000). There were employer pension contributions for the highest paid director of £5,000 (2018: £5,000). Certain of the Company's directors are employed by other Stifel Financial Corp. subsidiaries. The remuneration of those directors is borne by those companies.

4. Interest income

	2019 £'000	2018 £'000
Bank interest income	206	75
Other interest income	127	6
	<u>333</u>	<u>81</u>

5. Interest expense

	2019 £'000	2018 £'000
Bank interest expense	94	75
Other interest expense	481	298
Subordinated loan interest	488	487
	<u>1,063</u>	<u>860</u>

Notes to the financial statements (continued)

at 31 December 2019

6. Taxation

(a) Tax recognised in the income statement

	2019 £'000	2018 £'000
UK current tax charge on (loss)/income for the year	108	305
Foreign tax charge on income for the period	36	31
Adjustments in respect of prior years - current tax	11	(18)
Adjustments in respect of prior years - foreign taxes	(5)	13
Total current tax charge	150	331
Deferred tax charge/(credit) for the year	899	(108)
Effect of changes in tax rates	118	4
Adjustments in respect of prior years - deferred tax	62	246
Total deferred tax charge	1,079	142
Total tax charge for the year	1,229	473

(b) Tax recognised directly in equity

	2019 £'000	2018 £'000
Current tax recognised directly in equity	-	(288)
Deferred tax recognised directly in equity	(134)	482
Total tax	(134)	194

Notes to the financial statements (continued)

at 31 December 2019

6. Taxation (continued)

(c) Total tax reconciliation

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before taxation	(4,146)	937
(Loss)/profit multiplied by standard rate of corporation tax 19.00% (2018: 19.00%)	(788)	178
Effects of:		
Foreign taxes	36	31
Permanent differences	307	289
Changes in tax rates	118	4
(Write-back)/write-off of deferred tax	1,230	(417)
Share-based payments permanent differences	208	123
Other differences	50	24
Adjustment in respect of prior years - current tax	11	(18)
Adjustment in respect of prior years - foreign taxes	(5)	13
Adjustment in respect of prior years - deferred tax	62	246
Total tax charge	1,229	473

(d) Capital Requirements (Country-by-Country Reporting) Regulations

The disclosure requirements stipulated by the Capital Requirements (Country-by-Country Reporting) Regulations 2013 are as follows:

2019

Location	Nature of activities	Turnover £'000	No. of employees No.	Profit before tax £'000	Corporation tax paid £'000
UK	Institutional broking and investment banking	121,902	300	(4,714)	109
Spain	Institutional broking services	1,184	1	124	31
Switzerland	Institutional broking services	2,316	-	444	4
Total		125,402	301	(4,146)	144

2018

Location	Nature of activities	Turnover £'000	No. of employees No.	Profit before tax £'000	Corporation tax paid £'000
UK	Institutional broking and investment banking	119,541	262	740	306
Spain	Institutional broking services	1,357	2	88	25
Switzerland	Institutional broking services	2,763	-	109	5
Total		123,661	264	937	336

Notes to the financial statements (continued)

at 31 December 2019

6. Taxation (continued)

The Company has received public subsidies of £Nil (2018: £Nil).

7. Deferred tax

	2019 £'000	2018 £'000
Deferred tax asset at 1 January 2019	2,822	3,400
Opening balance adjustment - IFRS 15	-	46
Effect of changes in tax rates	(118)	(4)
Current-year deferred tax (charge)/credit - P&L	(899)	108
Adjustment in respect of prior years	(62)	(246)
Deferred tax credit/(charge) recognised directly in equity	134	(482)
Deferred tax asset at 31 December 2019	1,877	2,822

Deferred tax assets and liabilities are attributable to the following:

	2019 £'000	2018 £'000
Share-based payments	704	700
Property, plant and equipment	16	-
Unutilised tax losses carried forward	641	1,875
Change in accounting practice adjustment	(24)	(38)
Cash debenture	540	285
Deferred tax asset at 31 December 2019	1,877	2,822

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by £220,000.

The Finance Act 2016 also included a further restriction on banks' ability to carry forward historic losses. From 1 April 2016, the restriction has reduced the amount of taxable profit which can be offset by historic losses from 50% to 25%. Whilst the change does not prevent the losses from being used, it will cause them to take longer to be used, and it is estimated that by 2022 there would still be a deferred tax asset of £1,673,000 in respect of trading losses which would otherwise have been fully utilised by this point. Management have concluded that it is appropriate not to recognise this element of the deferred tax asset on the grounds that profits cannot be forecast with sufficient certainty beyond 2022.

In addition to the deferred tax asset on trading losses not recognised, there are unrecognised deferred tax assets at the end of the year in respect of capital losses (£31,000), non-trading deficits (£59,000), cash debentures (£360,000) and share based payments (£469,000). These assets have not been recognised in the financial statements as it is not considered probable that these deductible temporary differences will unwind prior to the end of the forecasting period (2022).

Notes to the financial statements (continued)

at 31 December 2019

8. Intangible assets

	Goodwill	Customer relationships	Trade name	Non-compete agreements	Transaction backlog	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
As at 1 January 2019	27,889	3,082	901	375	240	32,487
Additions	10,062	-	-	402	787	11,251
At 31 December 2019	37,951	3,082	901	777	1,027	43,738
Amortisation and impairment						
As at 1 January 2019	16,891	1,289	302	365	240	19,087
Amortisation during the year	-	349	64	49	127	589
At 31 December 2019	16,891	1,638	366	414	367	19,676
Net book value						
At 31 December 2018	10,998	1,793	599	10	-	13,400
At 31 December 2019	21,060	1,444	535	363	660	24,062

The remaining useful economic lives for intangible assets are 5-8 years for customer relationships, 10 years for trade name and 1-2 years for non-compete agreements.

Acquisition of Mooreland Partners UK LLP

During the year the Company acquired the business activities of Mooreland Partners UK LLP and subsequently recognised goodwill, non-compete agreements and transaction backlogs on its balance sheet as intangible assets. As at the balance sheet date the valuation of these intangibles could only be estimated and will be revised when the final purchase consideration has been determined.

Impairment testing

Goodwill and intangible assets have been allocated to the cash generating units (CGUs) as follows:

	Goodwill		Intangible assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
KBW	-	-	863	1,067
UK Equities	17,443	7,381	1,023	-
DCM	3,617	3,617	1,116	1,335

These represent the lowest level within the Company at which goodwill is monitored for internal management purposes.

The recoverable amounts of the CGUs have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a three-year period.

The discount rate applied to cash flow projections is 13.4% (2018: 12.9%) and cash flows beyond the 3-year budget are extrapolated using a 3.0% growth rate (2018: 3.0%).

Notes to the financial statements (continued)

at 31 December 2019

8. Intangible assets (continued)

Impairment testing (continued)

KBW: Sensitivity to changes in assumptions

For 2019, for KBW, there are reasonably possible changes and key assumptions which could erode the estimated amount of £25.9m by which the carrying value of the CGU exceeds the recoverable amount.

A change in growth rate to 0% from 3.0% and a change in discount rate to 14.4% from 13.4% would have the effect of reducing the estimated total amount by which the carrying value of the CGU exceeds the recoverable amount by £9.9m.

UK Equities: Sensitivity to changes in assumptions

For 2019, for UK Equities, there are reasonably possible changes and key assumptions which could erode the estimated amount of £12.1m by which the carrying value of the CGU exceeds the recoverable amount.

A change in growth rate to 0% from 3.0% and a change in discount rate to 14.4% from 13.4% would have the effect of reducing the estimated total amount by which the carrying value of the CGUs exceed the recoverable amounts by £10.8m.

DCM: Sensitivity to changes in assumptions

For 2019, for DCM, there are reasonably possible changes and key assumptions which could erode the estimated amount of £1.6m by which the carrying value of the CGU exceeds the recoverable amount.

A change in growth rate to 0% from 3.0% and a change in discount rate to 14.0% from 13.4% would have the effect of reducing the estimated total amount by which the carrying value of the CGUs exceed the recoverable amounts by £2.0m.

9. Tangible fixed assets

	Capitalised leases £'000	Leasehold improvements £'000	Communication and computer equipment £'000	Total £'000
Cost				
At 1 January 2019	8,184	2,584	4,339	15,107
Additions		150	276	426
At 31 December 2019	8,184	2,734	4,615	15,533
Depreciation				
At 1 January 2019	-	1,469	2,005	3,474
Charge for the year	1,772	320	597	2,689
At 31 December 2019	1,772	1,789	2,602	6,163
Net book value				
At 1 January 2019	8,184	1,115	2,334	11,633
At 31 December 2019	6,412	945	2,013	9,370

Notes to the financial statements (continued)

at 31 December 2019

10. Investments in subsidiaries

	2019 £'000	2018 £'000
Investment in subsidiaries	<u>32,935</u>	<u>1,117</u>

The carrying value of the company's investments in subsidiaries, listed below, is reviewed annually and adjusted to the lower of net realisable value or cost.

Name	Principal activities	Country of incorporation	% equity ownership	
			2019	2018
Stifel Europe Geneva SA	Business services	Switzerland	100	100
MainFirst Schweiz AG	Investment firm	Switzerland	100	-
MainFirst Bank AG	Investment firm	Germany	100	-
MainFirst Securities US Inc	Investment firm	USA	100	-
ISM Corporate Services Limited	In liquidation	United Kingdom	100	100
ISM Capital LLP	In liquidation	United Kingdom	100	100
Mooreland Partners LLP	Dormant	United Kingdom	100	-

11. Investments

	2019 £'000	2018 £'000
Investments designated at fair value through profit and loss		
Debt investments	12,416	4,436
Equity investments	11,989	11,463
	<u>24,405</u>	<u>15,899</u>

For details on how these instruments are valued please refer to note 18.

12. Debtors and other assets

	2019 £'000	2018 £'000
Trade debtors	67,677	72,325
Receivables under syndicated loan trading	65,882	61,008
Due from related companies	26,069	3,340
Advances to employees	3,152	4,078
Prepayments	2,586	2,649
	<u>165,366</u>	<u>143,400</u>

Notes to the financial statements (continued)

at 31 December 2019

12. Debtors and other assets (continued)

The balances due from related companies are as follows;

	2019 £'000	2018 £'000
Stifel Nicolaus & Co	2,072	3,004
Stifel Nicolaus Canada	23,282	-
KBW Limited	5	2
Stifel Europe Holdings Limited	226	324
Mooreland Partners LLP	291	-
Eaton Partners LLP	193	-
ISM Capital LLP	-	10
	<u>26,069</u>	<u>3,340</u>

13. Creditors: amount falling due within one year

	2019 £'000	2018 £'000
Trade creditors	19,851	18,933
Payables under syndicated loan trading	64,559	58,913
Short trading positions	11,760	7,141
Due to related companies	6,701	7,703
Accruals	37,089	33,181
Bank overdraft	-	1,805
Corporation tax payable	134	12
Taxes payable	278	156
Other creditors	5,309	2,508
	<u>145,681</u>	<u>130,352</u>

The balances due to related companies are as follows;

	2019 £'000	2018 £'000
Stifel Financial Corporation	6,638	7,284
KBW Inc	63	419
	<u>6,701</u>	<u>7,703</u>

Notes to the financial statements (continued)

at 31 December 2019

14. Creditors: amount falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to group undertakings	7,500	7,500
Accruals	10,173	1,716
	<u>17,673</u>	<u>9,216</u>
	<u>17,673</u>	<u>9,216</u>
	2019 £'000	2018 £'000
Debt can be analysed as falling due:		
Between two and five years	10,173	1,716
Over five years	7,500	7,500
	<u>17,673</u>	<u>9,216</u>
	<u>17,673</u>	<u>9,216</u>

Included in the amount owed to group undertakings is a perpetual subordinated loan in the amount of £7,500,000 (2018: £7,500,000) from the Parent. The shareholder loan is unsecured and has an interest rate of 6.5% per annum (2018: 6.5%) payable every six months. The loan is repayable on the liquidation of the Company and cannot be repaid earlier without prior consent from the FCA. Details of the subsequent repayment of the loan in 2020 can be found in note 23.

Included in accruals are lease incentives for the Company's office premises.

Notes to the financial statements (continued)

at 31 December 2019

15. Capitalised leases

Maturity analysis

	2020 £'000	2021 £'000	2022 £'000	2023 £'000	Remaining £'000	Total £'000
Finance leases	2,137	1,265	1,265	1,265	2,131	8,063
	<u>2,137</u>	<u>1,265</u>	<u>1,265</u>	<u>1,265</u>	<u>2,131</u>	<u>8,063</u>

The Company has leases for its offices at 150 Cheapside, London. These are reflected on the balance sheet as a right of use asset and a lease liability. Leases of low-value underlying assets remain as operating leases and details of these can be found in note 20.

Lease cost

	2019 £'000
Finance lease cost:	
Amortisation of right of use assets	1,772
Interest on lease liabilities	315
	<u>2,087</u>

The financing cash flows from finance leases were £2,327,000.

16. Equity

	2019 £'000	2018 £'000
<i>Allotted, called up and fully paid</i>		
155,006,951 (2018: 55,218,276) ordinary shares of £1 each	155,007	55,218
	<u>155,007</u>	<u>55,218</u>

During the year, 99,788,675 (2018: 8,500,000) ordinary shares were issued for £1 per share.

Notes to the financial statements (continued)

at 31 December 2019

Capital management

The Company is authorised by the FCA and as such must continuously maintain adequate financial resources, as defined by the FCA. In order to ensure that the Company meets these requirements, the Company's objective is to maintain a conservative capital excess. Calculations of financial resources and the excess over minimum regulatory capital requirements are performed daily. Capital levels are reviewed and discussed at meetings of the Board and other management committees.

During the year, the Company has complied with its FCA financial resources requirements. At the year end, the Company's financial resources after deductions under regulatory rules are as follows:

	2019 £'000	2018 £'000
Share capital	155,007	55,218
Capital contributions	34,255	34,255
Retained loss (excludes any current year profits)	(29,978)	(24,799)
Subordinated loan	7,500	7,500
Less: Intangible assets and fixed asset investments	(43,116)	(14,517)
Less: Portion of deferred tax asset	(1,202)	(740)
	<u>122,466</u>	<u>56,917</u>

17. Share based payments

Deferred Compensation Plan - Restricted Stock Awards (RSA)

The Company's employees participated in the Stifel Nicolaus Wealth Accumulation Plan, as amended (the "Deferred Compensation Plan") that provides for the granting of stock units. Awards under this plan are granted at market value at the date of grant and generally vest rateably over a three-to-five year vesting period.

The Plan is provided to certain revenue producers, officers, and key administrative employees, whereby a certain percentage of their incentive compensation is deferred as defined by the Plan into company stock units and debentures. Participants may elect to defer a portion of their incentive compensation. Deferred compensation costs are amortised on a straight-line basis over the vesting period. Elective deferrals are 100% vested.

All share-based compensation plans are administered by the Compensation Committee of the Board of Directors of Stifel Financial ("Compensation Committee"), which has the authority to interpret the plans, determine to whom awards may be granted under the plans, and determine the terms of each award.

Notes to the financial statements (continued)

at 31 December 2019

17. Share based payments (continued)

Equity settled share scheme - Unit Acceleration Stock Awards

On the effective date of hiring a group of employees in 2013, certain employees of the Company were granted restricted stock or restricted stock units of Stifel Financial Corp. There are no continuing service requirements associated with these stock grants, and accordingly they were expensed at date of grant.

The number of RSAs are as follows:

	Number of Shares	
	Deferred Compensation Plan	Unit Acceleration Stock Awards
Balance at 1 January 2018	373,673	74,608
Granted during the period	55,915	-
Forfeited during the period	(18,078)	-
Vested during the period	(128,780)	(11,737)
Transfer out - to affiliates	(31,313)	-
	<u>251,417</u>	<u>62,871</u>
Balance at 31 December 2018		
Granted during the period	196,761	-
Forfeited during the period	(15,419)	-
Vested during the period	(107,375)	-
Transfer out - to affiliates	(30,582)	-
Cancelled during the period	(1,766)	-
	<u>293,036</u>	<u>62,871</u>
Balance at 31 December 2019		

The total expenses recognised in the Company's statement of profit or loss for the year for the schemes are as follows:

	2019	2018
	£'000	£'000
Deferred Compensation Plan – Restricted Stock Awards	4,266	3,624
	<u>4,266</u>	<u>3,624</u>

Further disclosures on share-based payments can be found in Note 21 of the SEC 10K filing for the Company's parent company, Stifel Financial Corp.

Notes to the financial statements (continued)

at 31 December 2019

18. Fair value measurement

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market (or most advantageous market, in the absence of a principal market) as of the balance sheet date.

In determining the fair value of its financial instruments, the Company uses various valuation techniques. Based on the observability of the inputs used in those techniques, the Company is required to provide the information set forth in the tables below according to the fair value hierarchy. Investments have been classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

(b) Fair Value measurements and classification within the fair value hierarchy

Set out below is the classification in the fair value hierarchy of the Company's financial assets and liabilities measured at fair value.

	Total	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
2019				
Investments				
Equity investments	11,989	11,989	-	-
Debt investments	12,416	-	12,416	-
Short trading positions	(11,760)	(11,760)	-	-
Total	12,645	229	12,416	-
2018				
Investments				
Equity investments	11,463	11,463	-	-
Debt investments	4,436	-	4,436	-
Short trading positions	(7,141)	(7,141)	-	-
Total	8,758	4,322	4,436	-

Notes to the financial statements (continued)

at 31 December 2019

18. Fair value measurement (continued)

(b) Fair Value measurements and classification within the fair value hierarchy (continued)

Set out below is a description of the significant valuation inputs and assumptions for each class of assets and liabilities measured at fair value:

- *Equity investments and short trading positions:* The fair value is determined by reference to the share price of these listed equity securities.
- *Debt investments:* The fair value is estimated with reference to publicly traded convertible bond securities.

There were transfers between Level 1 and Level 2 during the year of £Nil (2018: £Nil).

(c) Financial Instruments not measured at fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments not measured at fair value.

	Carrying amount 2019 £'000	Fair value 2019 £'000	Carrying amount 2018 £'000	Fair value 2018 £'000
Trade debtors	67,677	67,677	72,325	72,325
Due from related companies	26,069	26,069	3,340	3,340
Advances to employees	3,152	3,152	4,078	4,078
Cash and cash equivalents	64,591	64,591	24,242	24,242
Receivables under syndicated loan trading	65,882	65,882	61,008	61,008
Trade creditors	(19,851)	(19,851)	(18,933)	(18,933)
Due to related companies	(14,201)	(14,201)	(15,203)	(15,203)
Payables under syndicated loan trading	(64,559)	(64,559)	(58,913)	(58,913)
Total	128,760	128,760	71,944	71,944

Notes to the financial statements (continued)

at 31 December 2019

19. Financial assets and liabilities - additional information

(a) Measurement categories of financial assets and liabilities

	Carrying amount 2019 £'000	Carrying amount 2018 £'000
Financial assets held at fair value through profit and loss		
Equity investments	11,989	11,463
Debt investments	4,861	4,436
Receivables under syndicated loan trading	65,882	61,008
Financial assets held at fair value through OCI		
Debt investments	7,555	-
Financial assets at amortised cost		
Trade debtors	67,677	72,325
Due from related companies	26,069	3,340
Advances to employees	3,152	4,078
Cash and cash equivalents	64,591	24,242
Financial liabilities held at fair value through profit and loss		
Short trading positions	(11,760)	(7,141)
Payables under syndicated loan trading	(64,559)	(58,913)
Financial liabilities at amortised cost		
Trade creditors	(19,851)	(18,933)
Due to related companies	(14,201)	(15,203)
Total financial instruments	<u>141,405</u>	<u>80,702</u>

No assets or liabilities were reclassified during the year.

(b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The main source of credit risk is counterparty credit risk, and it is monitored on a daily basis. The Company is exposed to credit risk from a counterparty to a financial instrument transaction during the period between the trade date and the settlement date.

Counterparty risk arises primarily from two activities:

- Customers that trade financial instruments with the Company
- The Company executes trades through local brokers

Notes to the financial statements (continued)

at 31 December 2019

19. Financial assets and liabilities - additional information (continued)

The Company performs several tasks to ensure that counterparty risk with trading customers is monitored and credit losses to the firm are minimised.

The Company also engages in various securities underwriting, trading and brokerage activities servicing a diverse group of institutional investor clients, which has exposure to credit risk through the potential non-performance of these clients in fulfilling their contractual obligations pursuant to financial instrument transactions. This can be directly impacted by volatile trading markets which may impair the client's ability to satisfy its obligations to the Company. The Company's clearing agreements require reimbursement to the clearing broker without limit for any losses incurred due to a counterparty's failure to satisfy its contractual obligations. The Company seeks to mitigate the risks associated with sales and trading services through active customer screenings and selection procedures and establishing credit limits for clients where deemed appropriate.

Exposure to credit risk

The maximum exposure to credit risk at the balance sheet date by financial instrument type was:

	2019	2018
	£'000	£'000
Trade and other debtors	75,848	54,590
Receivables under syndicated loan trading	5,554	10,334
Cash and cash equivalents	64,591	24,242
	<u>145,993</u>	<u>89,166</u>

The credit exposures for "Receivables under syndicated loan trading" and for unsettled delivery-versus-payment trades within "Trade and other debtors" differ from the carrying values as a result of the potential cost to the Company in the event that the counterparties defaulted and the Company needed to purchase the assets in order to make good its obligations. For these the reported credit exposures are risk weighed exposures calculated in accordance with FCA capital rules. For the other types of financial instrument, the carrying amount of financial assets represents the maximum credit exposure.

Notes to the financial statements (continued)

at 31 December 2019

19. Financial assets and liabilities - additional information (continued)

(b) Credit risk (continued)

Cash collateral on securities borrowed

The Company enters into collateralised securities borrowing transactions that may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The Company manages credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis. Cash collateral delivered on securities borrowed was as follows, by counterparty type:

	2019	2018
	£'000	£'000
Financial institutions	20,245	7,312

Credit quality of financial assets

The table below details the credit quality of the financial assets at the balance sheet date:

2019	Not past due	Past due [0-30 days]	Past due [31-120 days]	Past due [more than 120 days]
	£'000	£'000	£'000	£'000
Trade and other debtors	91,643	4,062	166	1,027
Receivables under syndicated loan trading	65,882	-	-	-
Cash and cash equivalents	64,591	-	-	-
Total	222,116	4,062	166	1,027
2018	Not past due	Past due [0-30 days]	Past due [31-120 days]	Past due [more than 120 days]
	£'000	£'000	£'000	£'000
Trade and other debtors	76,027	1,639	1,433	644
Receivables under syndicated loan trading	61,008	-	-	-
Cash and cash equivalents	24,242	-	-	-
Total	161,277	1,639	1,433	644

The credit quality of financial assets that are neither past due nor impaired is considered by the directors to be high. Trading counterparties are institutions or corporates, cash and cash equivalents are held with short term maturities with banking institutions of high credit quality.

A provision of £39,000 (2018: £131,000) has been made for impaired trade debtors at the reporting date.

Notes to the financial statements (continued)

at 31 December 2019

19. Financial assets and liabilities - additional information (continued)

(c) Liquidity risk

Financial risk management

Liquidity risk is the risk that the firm does not have available, sufficient financial resources to enable it to meet its obligations as they fall due.

The Company has a high level of liquidity. Funds are placed on deposit with very short maturities. In addition, the Company monitors and evaluates the composition and size of assets and operating liabilities. Assets generally consist of cash and cash equivalents and debtors.

The table below shows the un-discounted maturity profiles of the Company's financial liabilities:

Class	Repayable on demand £'000	Due within 3 months £'000	Due between 3 months and 12 months £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
2019						
Payables under syndicated loan trading	64,559	-	-	-	-	64,559
Trade creditors	19,851	-	-	-	-	19,851
Short trading positions	11,760	-	-	-	-	11,760
Due to related companies	6,701	-	-	-	7,500	14,201
Accruals	-	35,333	2,790	9,139	-	47,262
Taxes payable	-	412	-	-	-	412
Other creditors	-	5,309	-	-	-	5,309
	102,871	41,054	2,790	9,139	7,500	163,354
2018						
Payables under syndicated loan trading	58,913	-	-	-	-	58,913
Trade creditors	18,933	-	-	-	-	18,933
Short trading positions	7,141	-	-	-	-	7,141
Due to related companies	7,703	-	-	-	7,500	15,203
Accruals	-	31,211	255	3,431	-	34,897
Taxes payable	-	167	-	-	-	167
Other creditors	-	2,508	-	-	-	2,508
	92,690	33,886	255	3,431	7,500	137,762

Notes to the financial statements (continued)

at 31 December 2019

19. Financial assets and liabilities - additional information (continued)

(d) Market risk

Financial risk management

Market risk represents the risk of loss that may result from a change in value of a financial instrument due to fluctuations in its market price. The Company's exposure to market risk is directly related to its role as a financial intermediary in customer trading and to its principal trading and investment activities. Market risk is inherent in financial instruments. The Company trades in equity securities as an active participant in both listed and over the counter markets.

Market risk – Foreign currency risk

The Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

Net assets by currency:	2019 £'000	2018 £'000
Euro	415	3,416
US Dollar	(268)	(1,210)
Canadian Dollar	23,103	-
Other	(305)	1,593
Total	22,945	3,799

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2019 would have increased/(decreased) equity and profit and loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2018.

	Equity and Profit and Loss	
	2019 £'000	2018 £'000
Euro	(38)	(311)
US Dollar	24	110
Canadian Dollar	(2,100)	-
Other	28	(145)

A 10 percent strengthening of the above currencies against the pound sterling at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Notes to the financial statements (continued)

at 31 December 2019

19. Financial assets and liabilities - additional information (continued)

(d) Market risk (continued)

Market risk – Interest rate risk

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instruments was:

	2019 £'000	2018 £'000
Fixed rate instruments		
Subordinated debt	(7,500)	(7,500)
Convertible fixed rate instruments		
Debt investments	12,416	4,436
Variable rate instruments		
Cash and cash equivalents	64,591	24,242

Debt investments comprise listed convertible bond securities which pay fixed rate coupon interest.

A 1% increase in interest rates at 31 December 2019 would have increased equity and profit and loss by a potential maximum of £646,000 (2018: £242,000). A decrease in interest rates would have an immaterial impact on the Company as a result of its current yields on variable rate instruments being near zero. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 December 2018.

	Equity and Profit and Loss	
	2019 £'000	2018 £'000
GBP	402	158
Euro	34	27
US Dollar	206	26

Market risk – Equity price risk

The Company's exposure to equity price risk arises from its trading in equity securities which are designated at fair value through profit or loss and investments in equity securities classified as available for sale financial assets. Asset positions are shown on the balance sheet as investments and liability positions are shown in creditors.

Exposure	2019 £'000	2018 £'000
	Equity securities designated at fair value through profit or loss	11,989
Short trading positions (equity securities)	(11,760)	(7,141)
Net exposure	229	4,322

Notes to the financial statements (continued)
at 31 December 2019

19. Financial assets and liabilities - additional information (continued)

(d) Market risk (continued)

Equity price risk sensitivity analysis

This analysis demonstrates the effect that negative changes in equity prices at 31 December 2019 would have had on profit or loss. Positive changes in equity prices would have had the equal but opposite effect, on the basis that all other variables remain constant. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. The analysis is performed on the same basis for 31 December 2018.

2019	5% decrease £'000	10% decrease £'000
Equity securities designated at fair value through profit or loss	(599)	(1,199)
Short trading positions (equity securities)	588	1,176
	<u> </u>	<u> </u>
Net gain/(loss)	(11)	(23)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
2018	5% decrease £'000	10% decrease £'000
Equity securities designated at fair value through profit or loss	(573)	(1,146)
Short trading positions (equity securities)	357	714
	<u> </u>	<u> </u>
Net gain/(loss)	(216)	(432)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

20. Obligations under operating leases contracts

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Buildings		Other	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Within one year	-	2,420	154	151
Two to five years	-	6,156	3	151
After five years	-	2,129	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	10,705	157	302
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company's leases for its office premises are now capitalised and shown in note 15. The Company has other operating leases in respect of office equipment.

Notes to the financial statements (continued)

at 31 December 2019

21. Implementation of IFRS 16

The implementation of IFRS 16 has impacted the Company's financial statements through:

- The grossing up of the balance sheet for the leased assets now reported within fixed assets and the future lease commitments now reported in liabilities
- The lease payments previously charged to the Profit & Loss replaced by depreciation of the leased assets and interest arising on the financial commitment.

In accordance with the new revenue recognition standard requirements, the disclosure of the impact of adoption on our Statement of Profit & Loss and Balance Sheet for the year ended 31 December 2019 was as follows:

	2019 £'000	2019 £'000 Without adoption of IFRS 16	2019 £'000 Effect of change
	As reported		
Turnover	125,402	125,402	-
Cost of sales	(9,738)	(9,738)	-
Gross profit	115,664	115,664	-
Administrative expenses	(119,080)	(119,001)	(79)
Operating (loss)/profit	(3,416)	(3,337)	(79)
Interest income	333	333	-
Interest expense	(1,063)	(1,063)	-
(Loss)/profit on ordinary activities before taxation	(4,146)	(4,067)	(79)
Taxation	(1,229)	(1,244)	15
(Loss)/profit on ordinary activities after taxation	(5,375)	(5,311)	(64)

Notes to the financial statements (continued)

at 31 December 2019

21. Implementation of IFRS 16 (continued)

	2019 £'000	2019 £'000	2019 £'000
	As reported	Without adoption of IFRS 16	Effect of change
Fixed assets			
Goodwill	21,060	21,060	-
Intangible assets	3,002	3,002	-
Tangible assets	9,370	2,957	6,412
Investments in subsidiaries	32,935	32,935	-
Deferred tax asset	1,877	1,877	-
	<u>68,244</u>	<u>61,831</u>	<u>6,412</u>
Current assets			
Investments	24,405	24,405	-
Debtors and other assets	165,366	165,366	-
Cash at bank and in hand	64,591	64,591	-
	<u>254,362</u>	<u>254,362</u>	<u>-</u>
Creditors: amounts falling due within one year	(145,681)	(143,787)	(1,894)
	<u>108,681</u>	<u>110,575</u>	<u>(1,894)</u>
Net current assets			
	<u>176,925</u>	<u>172,406</u>	<u>4,518</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	(17,673)	(13,096)	(4,576)
	<u>159,252</u>	<u>159,310</u>	<u>(58)</u>
Net assets			
Capital and reserves			
Share capital	155,007	155,007	-
Capital contributions	34,255	34,255	-
Fair value reserve	(33)	(33)	-
Exchange differences	17	17	-
Profit and loss account	(29,994)	(29,936)	(58)
	<u>159,252</u>	<u>159,310</u>	<u>(58)</u>
Equity shareholder's funds			

Notes to the financial statements (continued)

at 31 December 2019

22. Coronavirus COVID-19

In early 2020, the existence of a new coronavirus ("COVID-19") was confirmed which has since spread to almost all countries of the world, leading to disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Company considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Currently, it is estimated that the liquidity and solvency of the Company will not be severely impacted as a consequence of the COVID-19.

The Company has reviewed the exposures of its balance sheet and has taken, and continues to take, actions to further reduce the Company's sensitivity to economic shocks. The Company has undertaken a reforecast and stress testing of its business model to ensure that sufficient liquid resources and regulatory capital remain within the Company during what is currently expected to be the virus period. The Company is satisfied with the outcome of this exercise. Based on the work that has been undertaken the Company does not expect an impairment of goodwill, other intangibles or property, plant and equipment as there was significant headroom when an impairment test was undertaken at the year end.

That said, the situation is rapidly evolving and without precedent and thus the Company will continue to review the situation on an on-going basis.

The Company's number one priority is to protect the health and safety of its employees and the Company has taken and will continue to take any measures it considers appropriate to achieve this aim. The Company has implemented infection control procedures at its operations as recommended by local government and health regulation.

23. Post balance sheet event

On 28 January 2020 the Company repaid the £7,500,000 perpetual subordinated loan from SFC having previously notified the FCA of its intention to do so. More details of the loan can be found in note 14.

24. Ultimate parent company

The immediate parent undertaking is Stifel Europe Holdings Limited, incorporated in the United Kingdom. The ultimate parent undertaking and controlling party is Stifel Financial Corp., incorporated in the United States, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the ultimate parent's consolidated financial statements may be obtained from the Chief Financial Officer, Stifel Financial Corp., 501 North Broadway, St Louis, MO 63102-2102, USA.