

**STIFEL NICOLAUS EUROPE LIMITED**

**Annual Report and Financial Statements**

Registered No: 03719559

31 December 2020



**ANNUAL REPORT AND FINANCIAL STATEMENTS 2020**

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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

# STIFEL NICOLAUS EUROPE LIMITED

Registered No: 03719559

## Strategic report

The strategic report for the year ended 31 December 2020 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 with offices in Switzerland. The Company is an investment firm authorised and regulated by the Financial Conduct Authority (FCA). The Company is limited by shares.

During the year the Company undertook a reorganization following the completion of the acquisition of MainFirst in November 2019. From 1 February 2020 the activities of the Company's representative office in Geneva were transferred to MainFirst Bank AG. From 1 November 2020 MainFirst Securities US was transferred to Stifel Financial Corporation, the ultimate parent undertaking of the Company, the MainFirst branch in the United Kingdom was transferred to the Company and the Madrid branch of the Company was transferred to MainFirst Bank AG. At the same date the businesses of MainFirst were renamed Stifel Europe.

### Review of business and future developments

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

	2020 £'000	2019 £'000
Revenue	141,789	125,402
Profit/(loss) after tax	1,662	(5,375)
Net current assets	104,678	108,681
Capital employed	193,326	176,925
Ratio of current assets to current liabilities	1.86 times	1.75 times
Return on capital employed	0.4%	-1.9%
Average number of employees	326	301

The Company's turnover increased by 16% and administrative expenses increased by 12% leading to a current year profit after tax of £1,662,000 compared to the prior year loss after tax of £5,375,000.

The year-end financial position was satisfactory.

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.

### 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.

## Strategic report (continued)

### 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. The Company maintains a Liquid Asset Buffer, comprising short-dated UK gilts, of in excess of £7m. This was set up during 2019 following the completion of the company's first Internal Liquidity Adequacy Assessment Process.

### 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 United Kingdom withdrew from the European Union on 31 January 2020. The United Kingdom participated in the European Union Customs Union and European Single Market during a transition period that ended on 31 December 2020. The EU-UK Trade and Cooperation Agreement was ratified by the UK Parliament on 30 December 2020.

Although Brexit uncertainty continues to present challenges for the markets in which the Company operates, the acquisition of MainFirst by the company during 2019 has served to help mitigate the risk of whatever is the final outcome on Brexit.

## Strategic report (continued)

### Coronavirus COVID-19

The most significant risk event during 2020 was the unprecedented COVID-19 global pandemic. The Company's whole operation moved from offices to full remote working including business areas such as equities and fixed income trading which had never before been set up in this way. This ensured that our staff remained safe and the business operational on a remote basis prior to the date on which the first lockdown was enforced. The Company was able, and continues, to maintain full continuity of service to clients.

### Section 172 statement

The Board, in line with their duties under S172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term which include:

- The likely consequence of any decisions in the long term
- The interests of the Company's employees
- The needs to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desire of the Company to maintain a reputation for high standards of business conduct
- The need to act fairly as between members of the Company.

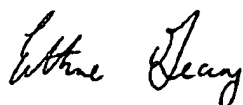
When considering matters of significant impact, the Board will always consider the Company's primary stakeholders include: clients, employees, shareholders and regulators.

As part of the Board's decision making process, the Board and its Committees consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's operations of the community and the environment, responsible business practices and the likely consequences of decisions in the long term.

### 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



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Eithne O'Leary  
Director

Date: 23 April 2021

## Directors' report

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

### Results and dividends

Profit for the year after tax was £1,662,000 (2019: loss after tax £5,375,000). Dividends of £Nil were distributed for the year ended 31 December 2020 (2019: £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. Management has produced forecasts that have also been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy as further described in note 21 below, which have been reviewed by the directors. These demonstrate the Company is forecast to generate profits and cash in the year ending 31 December 2021 and beyond and that the Company has sufficient cash reserves to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements, i.e. up to 30 April 2022.

Furthermore, the Company is wholly supported by its ultimate parent company, Stifel Financial Corp., which has sufficient resources to continue to support the Company. As such, the directors are satisfied that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

### Post balance sheet events

There have no further events subsequent to the Balance Sheet date which required adjustment or disclosure in the Financial Statements or notes therein.

### 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)

### Streamlined energy and carbon reporting

The Company recognizes its responsibilities with respect to helping respond to the global climate crisis and help protect the environment. This is the Company's first year to report on carbon emissions under UK Streamlined Energy & Carbon Reporting Regulations (SECR). Reporting is required for large unquoted companies for annual periods commencing on, or after, 1 April 2019. The Company's business is conducted almost entirely from its office in London. As an office-based business its activities are generally not regarded as having a high environmental impact.

In the year to 31 December 2020 the company used 683,640 KWh of electricity. The Company uses natural renewable electricity hence its CO<sub>2</sub> emissions from electricity are 0 tCO<sub>2</sub>e. In the year to 31 December 2020 the company used 286,840 KWh of gas. The Company's CO<sub>2</sub> emissions from its gas usage was 52.7 tCO<sub>2</sub>e. The Company has decided to use as its intensity ratio the amount of tCO<sub>2</sub>e per average UK based employee and on the basis of the foregoing this was 0.16.

The Company continues to review and implement certain actions to help reduce carbon emissions and from the lessons learned in the lockdown period will be reviewing all its activities and their impact on the environment. During the period the Company undertook a number of actions with a view to reducing its emissions which include turning off the perimeter lights in the office during daylight hours, ensuring all lights are on sensors and reducing the use of air conditioning in our communications room.

### Directors

The directors of the Company who held office during the year ended 31 December 2020 are listed below:

C Ashton  
V Nesi  
E O'Leary  
J Owen

### 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 £30,262 in 2020 (2019: £20,457). The Company made political contributions of £Nil in 2020 (2019: £Nil).

## Directors' report (continued)

### 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*

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Charles Ashton  
Chief Financial Officer

Date: 23 April 2021

## 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 31 December 2020 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 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern up to 30 April 2022 being not less than 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### **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 contained within the annual report.

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.

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 course of 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 themselves. 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 9, 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.

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006), relevant tax compliance regulations, and the regulations of the Financial Conduct Authority ("FCA").
- We understood how the Company is complying with those frameworks by making enquiries of management for their awareness of any non-compliance with laws and regulations and to understand how the Company maintain and communicates their policies. We corroborated our understanding through our review of board meeting minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and assuming revenue recognition to be a fraud risk. We considered the controls that the Company has established to address fraud risks identified, or that otherwise seek to prevent, deter or detect fraud. Where the risk was higher, we performed audit procedures to address the identified fraud risk or other risk of material misstatement.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquires of management, review of board minutes and correspondence with regulators and tax authorities for evidence of non-compliance, and, and exercising professional scepticism in assessing the results of audit procedures and audit evidence.
- The Company operates in a regulated environment. We have obtained an understanding of the regulations and the potential impact on the Company and, in assessing the control environment, we have considered the compliance of the Company to these regulations as part of our audit procedures.

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.

### **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*

**Jason Seymour-Cousens (Senior statutory auditor)**  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 23 April 2021

## Statement of profit or loss for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	2	141,789	125,402
Cost of sales		(8,160)	(9,738)
<b>Gross profit</b>		<b>133,629</b>	<b>115,664</b>
Administrative expenses		(132,941)	(119,080)
Total administrative expenses		(132,941)	(119,080)
<b>Operating profit/(loss)</b>	3	<b>688</b>	<b>(3,416)</b>
Interest income	4	1,777	333
Interest expense	5	(520)	(1,063)
<b>Profit/(loss) before tax</b>		<b>1,945</b>	<b>(4,146)</b>
Taxation	6	(283)	(1,229)
<b>Profit/(loss) for the financial year</b>		<b>1,662</b>	<b>(5,375)</b>

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

**Other comprehensive income / (loss)**  
for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Profit/(loss) for the financial year		1,662	(5,375)
Movement in fair value reserve of financial assets at FVOCI		(44)	(33)
Currency translation differences		35	(30)
<b>Total comprehensive income/(loss) for the year</b>		<b>1,653</b>	<b>(5,438)</b>

## Balance sheet

at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Goodwill	8	19,736	21,060
Intangible assets	8	2,454	3,002
Tangible assets	9	31,752	9,370
Investments in subsidiaries	10	31,960	32,935
Deferred tax asset	7	2,746	1,877
		<u>88,648</u>	<u>68,244</u>
<b>Current assets</b>			
Investments	11	29,337	24,405
Debtors and other assets	12	157,471	165,366
Cash at bank and in hand		40,115	64,591
		<u>226,923</u>	<u>254,362</u>
<b>Total current assets</b>		<b>226,923</b>	<b>254,362</b>
<b>Creditors: amounts falling due within one year</b>	13	(122,245)	(145,681)
		<u>104,678</u>	<u>108,681</u>
<b>Net current assets</b>		<b>104,678</b>	<b>108,681</b>
<b>Total assets less current liabilities</b>		<b>193,326</b>	<b>176,925</b>
<b>Creditors: amounts falling due after more than one year</b>	14	(32,011)	(17,673)
		<u>161,315</u>	<u>159,252</u>
<b>Net assets</b>		<b>161,315</b>	<b>159,252</b>
<b>Capital and reserves</b>			
Share capital	16	155,007	155,007
Capital contributions		34,255	34,255
Fair value reserve of financial assets at FVOCI		(77)	(33)
Exchange differences		52	17
Profit and loss account		(27,922)	(29,994)
		<u>161,315</u>	<u>159,252</u>
<b>Equity shareholder's funds</b>		<b>161,315</b>	<b>159,252</b>

These financial statements were approved and authorised for issue by the Board of Directors on 23 April 2021:

Signed on behalf of the Board of Directors

*Charles Ashton*

Charles Ashton  
 Director  
 Date: 23 April 2021  
 Registered number: 03719559

The notes on pages 18 to 50 form part of these financial statements.

STIFEL NICOLAUS EUROPE LIMITED

**Statement of changes in equity**  
at 31 December 2020

	Share capital	Capital contributions	Fair value reserve of financial assets at FVOCT	Exchange differences	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2019</b>						
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
<b>Balance at 1 January 2019 (restated)</b>	<b>55,218</b>	<b>34,255</b>	<b>-</b>	<b>47</b>	<b>(24,753)</b>	<b>64,767</b>
<b>Total comprehensive expense for the year</b>						
Loss	-	-	-	-	(5,375)	(5,375)
Other comprehensive expense	-	-	(33)	(30)	-	(63)
<b>Total comprehensive expense for the year</b>	<b>-</b>	<b>-</b>	<b>(33)</b>	<b>(30)</b>	<b>(5,375)</b>	<b>(5,438)</b>
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)
<b>Balance at 31 December 2019</b>	<b>155,007</b>	<b>34,255</b>	<b>(33)</b>	<b>17</b>	<b>(29,994)</b>	<b>159,252</b>

## STIFEL NICOLAUS EUROPE LIMITED

**Statement of changes in equity (continued)**  
 at 31 December 2020

	Share capital	Capital contributions	Fair value reserve of financial assets at FVOCI	Exchange differences	Profit and loss account	Total equity
<b>2020</b>	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020	155,007	34,255	(33)	17	(29,994)	159,252
<b>Total comprehensive income for the year</b>						
Profit	-	-	-	-	1,662	1,662
Other comprehensive income/ (expense)	-	-	(44)	35	-	(9)
Total comprehensive income for the year	-	-	(44)	35	1,662	1,653
Deferred tax on share based payments	-	-	-	-	410	410
Issue of share capital	-	-	-	-	-	-
Equity-settled share based payments	-	2,333	-	-	-	2,333
Settlement of share based payments	-	(2,333)	-	-	-	(2,333)
<b>Balance at 31 December 2020</b>	<b>155,007</b>	<b>34,255</b>	<b>(77)</b>	<b>52</b>	<b>(27,922)</b>	<b>161,315</b>

## Notes to the financial statements at 31 December 2020

### 1. Significant Accounting Policies

#### General information

The financial statements of Stifel Nicolaus Europe Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 23 April 2021 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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities measured at fair value through profit or loss and fair value through other comprehensive income, and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 1 - Significant accounting judgements and estimates.

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 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 2020 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*;

## Notes to the financial statements (continued) at 31 December 2020

### 1. Significant Accounting Policies (continued)

#### Basis of preparation (continued)

- 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.

#### New and amended standards and interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have a material impact on the Company's financial statements.

#### 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. Management has produced forecasts that have also been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy as further described in note 21 below, which have been reviewed by the directors. These demonstrate the Company is forecast to generate profits and cash in the year ending 31 December 2021 and beyond and that the Company has sufficient cash reserves to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

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

##### (a) Functional and presentation currency

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. The activities of the Spanish Branch were transferred to the Company's subsidiary Stifel Europe Bank AG during the year.

##### (b) Transactions and balances

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.

## Notes to the financial statements (continued) at 31 December 2020

### 1. Significant Accounting Policies (continued)

#### Foreign currency translation (continued)

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.

Any foreign exchange differences on translation of the Company's foreign operation into the presentation currency of the Company are taken to the statement of other comprehensive income.

#### 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.

Where the fair values of the identifiable net assets and contingent liabilities acquired have been determined provisionally and new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition is revised.

## Notes to the financial statements (continued)

### at 31 December 2020

#### 1. Significant Accounting Policies (continued)

##### 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.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. 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 2020

#### 1. Significant Accounting Policies (continued)

##### Intangible assets and goodwill (continued)

For internally developed software, development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

##### Tangible fixed assets

Tangible fixed assets are stated at historical 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).

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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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

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. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within Statement of profit or loss.

##### Investments in group undertakings

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

## Notes to the financial statements (continued) at 31 December 2020

### 1. Significant Accounting Policies (continued)

#### Financial assets and financial liabilities

##### *Classification*

Financial assets within the scope of IFRS 9 are classified in the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

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. The classification depends on the purpose for which the financial assets were acquired i.e. the entity's business model for managing the financial assets and/or the contractual cash flow characteristics of the financial asset.

##### *Recognition and measurement*

All financial assets and liabilities are recognised initially at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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.

##### *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.

#### Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently 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 2020

### 1. Significant Accounting Policies (continued)

#### 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. Investment banking advisory fees comprises revenue in respect of ongoing broking services, advice in respect of specific transaction related services, and general advice to clients. Ongoing broking revenue and general advice are recognised over time. Revenue from transaction-related services, such as merger and acquisition, is typically recognised on a point in time basis when the underlying transaction is complete under the engagement terms and there is no risk of subsequent reversal or when a significant performance obligation has been completed and there is no risk of subsequent reversal.

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.

Dividend income is recognised when the right to receive payment is established.

#### 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 2020

#### 1. Significant Accounting Policies (continued)

##### Taxation

The tax expense for the period comprises current and deferred tax. 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.

## Notes to the financial statements (continued) at 31 December 2020

### 1. Significant Accounting Policies (continued)

#### Leases

The Company leases office premises and equipments. Rental contracts are typically made for fixed periods of five years to ten years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, currency and security.

## Notes to the financial statements (continued) at 31 December 2020

### 1. Significant Accounting Policies (continued)

#### Leases (continued)

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the company uses that rate as a starting point to determine the incremental borrowing rate.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the balance sheet, bank overdrafts (if any) are shown within borrowings in creditors: amounts falling due within one year.

#### Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Creditors are presented as amounts falling due within one year unless payment is not due within 12 months after the reporting period.

#### 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 2020

### 1. Significant Accounting Policies (continued)

#### Significant accounting judgements and estimates (continued)

##### *Contingent consideration on acquisitions*

Where acquisitions include contingent consideration the directors determine the fair 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 2020

#### 2. Turnover

	2020 £'000	2019 £'000
Brokerage income	51,043	34,585
Investment banking	62,616	67,403
Principal transactions gains & losses	19,068	12,930
Research income	8,682	10,199
Transfer pricing income from affiliates	198	180
Other revenue	182	105
	<u>141,789</u>	<u>125,402</u>

The Company's Spanish branch had turnover of £1,555,000 during the year (2019: £1,184,000), and its Swiss branches had turnover of £953,000 (2019: £2,316,000), with the remainder of turnover arising in the UK.

#### 3. Operating profit/(loss)

This is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of tangible fixed assets	1,226	2,689
Amortisation of intangible fixed assets	868	589
Auditors' remuneration:		
Professional fees	198	179
Other assurance services	-	11
Foreign exchange losses	144	305
Operating leases – Other	61	111
	<u>          </u>	<u>          </u>

#### (a) Employee costs and information

	2020 £'000	2019 £'000
<b>Staff Costs</b>		
	84,232	72,567
Wages and salaries		
Social security costs	11,481	9,271
Pension costs	1,165	1,082
Share based payments	2,333	4,266
	<u>99,211</u>	<u>87,186</u>

The number of full time equivalents at 31 December 2020 was 352 (2019: 327). Average full time equivalents for the year ended 31 December 2020 was 326 (2019: 301).

## Notes to the financial statements (continued)

### at 31 December 2020

#### 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 2020 £Nil (2019: £Nil) were payable as at 31 December 2020 under the schemes and are included in creditors.

##### (b) Directors' emoluments

	2020 £'000	2019 £'000
Directors' emoluments in respect of services to the Company	2,356	4,113
Employer pension contributions	10	24
	<u>2,366</u>	<u>4,137</u>

The emoluments including shared based payments of the highest paid director were 2020 £1,252,000 (2019: £1,032,000). There were employer pension contributions for the highest paid director of 2020 £5,000 (2019: £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

	2020 £'000	2019 £'000
Bank interest income	197	206
Other interest income	1,580	127
	<u>1,777</u>	<u>333</u>

#### 5. Interest expense

	2020 £'000	2019 £'000
Bank interest expense	127	94
Other interest expense	357	481
Subordinated loan interest	36	488
	<u>520</u>	<u>1,063</u>

## Notes to the financial statements (continued)

at 31 December 2020

### 6. Taxation

#### (a) Tax recognised in the income statement

	2020 £'000	2019 £'000
UK current tax charge on income/(loss) for the year	647	108
Foreign tax charge on income for the period	60	36
Adjustments in respect of prior years - current tax	(3)	11
Adjustments in respect of prior years - foreign taxes	38	(5)
<b>Total current tax charge</b>	<b>742</b>	<b>150</b>
Deferred tax (credit)/charge for the year	(535)	899
Effect of changes in tax rates	(524)	118
Adjustments in respect of prior years - deferred tax	600	62
<b>Total deferred tax (credit)/charge</b>	<b>(459)</b>	<b>1,079</b>
<b>Total tax charge for the year</b>	<b>283</b>	<b>1,229</b>

#### (b) Tax recognised directly in equity

	2020 £'000	2019 £'000
Deferred tax recognised directly in equity	(410)	(134)
<b>Total tax</b>	<b>(410)</b>	<b>(134)</b>

## Notes to the financial statements (continued)

### at 31 December 2020

#### 6. Taxation (continued)

##### (c) Total tax reconciliation

	2020 £'000	2019 £'000
Profit/(loss) on ordinary activities before taxation	1,945	(4,146)
Profit/(loss) multiplied by standard rate of corporation tax 19.00% (2019: 19.00%)	370	(788)
Effects of:		
Foreign taxes	60	36
Permanent differences	197	307
Changes in tax rates	(524)	118
(Write-back)/write-off of deferred tax	-	1,230
Share-based payments permanent differences	(454)	208
Other differences	(1)	50
Adjustment in respect of prior years - current tax	(3)	11
Adjustment in respect of prior years - foreign taxes	38	(5)
Adjustment in respect of prior years - deferred tax	600	62
Total tax charge	<u>283</u>	<u>1,229</u>

##### (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:

#### 2020

Location	Nature of activities	Turnover £'000	No. of employees No.	Profit before tax £'000	Corporation tax paid £'000
UK	Institutional broking and investment banking	139,282	325	1,333	647
Spain	Institutional broking services	1,555	1	218	54
Switzerland	Institutional broking services	952	-	394	6
Total		<u>141,789</u>	<u>326</u>	<u>1,945</u>	<u>707</u>

#### 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		<u>125,402</u>	<u>301</u>	<u>(4,146)</u>	<u>144</u>

## Notes to the financial statements (continued)

### at 31 December 2020

#### 6. Taxation (continued)

The Company has received public subsidies of £Nil (2019: £Nil).

#### 7. Deferred tax

	2020 £'000	2019 £'000
Deferred tax asset at 1 January 2020	1,877	2,822
Effect of changes in tax rates	524	(118)
Current year deferred tax (charge)/credit - P&L	535	(899)
Adjustment in respect of prior years	(600)	(62)
Deferred tax credit recognised directly in equity	410	134
<b>Deferred tax asset at 31 December 2020</b>	<b>2,746</b>	<b>1,877</b>

Deferred tax assets and liabilities are attributable to the following:

	2020 £'000	2019 £'000
Share-based payments	1,312	704
Property, plant and equipment	(174)	16
Unutilised tax losses carried forward	1,373	641
Change in accounting practice adjustment	(26)	(24)
Cash debenture	727	540
Intangible assets acquired in a business combination	(466)	-
<b>Deferred tax asset at 31 December 2020</b>	<b>2,746</b>	<b>1,877</b>

A reduction in the UK corporation tax rate from 19% to 17% as expected to take effect from 1 April 2020, though in the 11 March 2020 Budget it was announced that the UK tax rate would remain at the then current 19% and not reduce to 17%, and this change was substantively enacted on 17 March 2020. Deferred tax balances have been recognised at 19% in the current period.

In the 3 March 2021 Budget, it was announced that the UK corporation tax rate would increase to 25% by 2023. 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 (£870,000).

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 trading losses (£1,004,910), capital losses (£34,093), non-trading deficits (£65,932), cash debentures (£484,936) and share based payments (£874,542). These assets have not been recognised in the financial statements as it is not considered probable that these deductible.

## Notes to the financial statements (continued)

### at 31 December 2020

#### 8. Intangible assets

	Goodwill £'000	Customer relationships £'000	Trade name £'000	Non-compet agreements £'000	Transaction backlog £'000	Total £'000
<b>Cost</b>						
As at 1 January 2020	37,951	3,082	901	777	1,027	43,738
Additions	81	84	-	-	244	409
Decrease	(1,405)			(8)		(1,413)
At 31 December 2020	36,627	3,166	901	769	1,271	42,734
<b>Amortisation and impairment</b>						
As at 1 January 2020	16,891	1,638	366	414	367	19,676
Amortisation during the year	-	349	64	77	378	868
At 31 December 2020	16,891	1,987	430	491	745	20,544
<b>Net book value</b>						
At 31 December 2019	21,060	1,444	535	363	660	24,062
At 31 December 2020	19,736	1,179	471	278	526	22,190

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-compet agreements.

#### Acquisition of Business Activities

During the year the Company acquired the business activities of the UK Branch of its subsidiary Stifel Europe Bank AG and also of its subsidiary MainFirst Securities US and subsequently recognised client relationships on its balance sheet as intangible assets.

#### Impairment testing

Goodwill has been allocated to the cash generating units (CGUs) as follows:

	Goodwill	
	2020 £'000	2019 £'000
<b>UK Equities</b>	19,736	21,060

Following a reorganisation during the year, the lowest level within the Company at which goodwill is monitored for internal management purposes has been re-assessed. As a result the CGUs disclosed in 2019 (UK Equities and DCM) have been combined into a single CGU (UK Equities).

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 13.9% (2019: 13.4%) and cash flows beyond the 3-year budget are extrapolated using a 3.0% growth rate (2019: 3.0%).

## Notes to the financial statements (continued)

### at 31 December 2020

#### 8. Intangible assets (continued)

##### Impairment testing (continued)

For 2020, there are reasonably possible changes and key assumptions which could erode the estimated amount of £49.0m by which the carrying value of UK Equities exceeds the recoverable amount.

A change in growth rate to 0% from 3.0% and a change in discount rate to 14.9% from 13.9% would have the effect of reducing the estimated total amount by which the carrying value of the CGUs exceed the recoverable amounts from £49.0m to £20.5m.

#### 9. Tangible fixed assets

	Right-of-use assets	Leasehold improvements	Communication and computer equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2020	8,184	2,734	4,615	15,533
Additions	20,509	1,380	1,134	23,023
Disposals	-	-	(38)	(38)
At 31 December 2020	28,693	4,114	5,711	38,518
<b>Depreciation</b>				
At 1 January 2020	1,772	1,789	2,602	6,163
Charge for the year	-	462	764	1,226
Disposals	-	-	(13)	(13)
Adjustment	(610)	-	-	(610)
At 31 December 2020	1,162	2,251	3,353	6,766
<b>Net book value</b>				
At 1 January 2020	6,412	945	2,013	9,370
At 31 December 2020	27,531	1,863	2,358	31,752

## Notes to the financial statements (continued)

at 31 December 2020

### 10. Investments in subsidiaries

	2020 £'000	2019 £'000
Investment in subsidiaries	<u>31,960</u>	<u>32,935</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	
			2020	2019
Stifel Europe Geneva SA	Dormant	Switzerland	100	100
Stifel Schweiz AG	Investment firm	Switzerland	100	100
Stifel Europe Bank AG	Investment firm	Germany	100	100
Mooreland Partners LLP	Dormant	United Kingdom	100	100

### 11. Investments

	2020 £'000	2019 £'000
<b>Investments designated at fair value through profit and loss</b>		
Debt investments	13,137	12,416
Equity investments	16,200	11,989
	<u>29,337</u>	<u>24,405</u>

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

## Notes to the financial statements (continued)

### at 31 December 2020

#### 12. Debtors and other assets

	2020 £'000	2019 £'000
Trade debtors	87,450	67,677
Receivables under syndicated loan trading	31,335	65,882
Due from related companies	28,934	26,069
Advances to employees	4,407	3,152
Prepayments	5,345	2,586
	<u>157,471</u>	<u>165,366</u>

The balances due from related companies are as follows;

	2020 £'000	2019 £'000
Stifel Nicolaus & Co	-	2,072
Stifel Nicolaus Canada	23,359	23,282
KBW Limited	-	5
Stifel Europe Holdings Limited	-	226
Mooreland Partners LLP	-	291
Eaton Partners LLP	87	193
Stifel Europe Bank AG	5,352	-
KBW Inc	136	-
	<u>28,934</u>	<u>26,069</u>

**Notes to the financial statements (continued)**  
**at 31 December 2020**

**13. Creditors: amount falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	27,732	19,851
Payables under syndicated loan trading	27,723	64,559
Short trading positions	11,865	11,760
Due to related companies	7,713	6,701
Accruals	45,313	37,089
Bank overdraft	-	-
Corporation tax payable	746	134
Taxes payable	373	278
Other creditors	780	5,309
	<u>122,245</u>	<u>145,681</u>

The balances due to related companies are as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Stifel Financial Corporation	5,891	6,638
KBW Inc	-	63
Stifel Nicolaus & Co	1,742	-
Stifel Europe Holdings Limited	80	-
	<u>7,713</u>	<u>6,701</u>

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	-	7,500
Accruals	32,011	10,173
	<u>32,011</u>	<u>17,673</u>

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Debt can be analysed as falling due:		
Between two and five years	32,011	10,173
Over five years	-	7,500
	<u>32,011</u>	<u>17,673</u>

## Notes to the financial statements (continued)

### at 31 December 2020

#### 14. Creditors: amount falling due after more than one year (continued)

Included in the amount owed to group undertakings is a perpetual subordinated loan in the amount of £Nil (2019: £7,500,000) from the Parent. The shareholder loan is unsecured and has an interest rate of 6.5% per annum (2019: 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.

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

#### 15. Capitalised leases

##### Maturity analysis

	2020 £'000	2021 £'000	2022 £'000	2023 £'000	Remaining £'000	Total £'000
Finance leases	2,359	3,680	3,680	3,680	20,621	34,020
	<u>2,359</u>	<u>3,680</u>	<u>3,680</u>	<u>3,680</u>	<u>20,621</u>	<u>34,020</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

	2020 £'000
Finance lease cost:	
Amortisation of right of use assets	1,162
Interest on lease liabilities	414
	<u>1,576</u>

The financing cash flows from finance leases were £28,694,000

## Notes to the financial statements (continued)

at 31 December 2020

### 16. Equity

	2020 £'000	2019 £'000
<i>Allotted, called up and fully paid</i>		
155,006,951 (2019: 155,006,951) ordinary shares of £1 each	155,007	155,007
	<u>155,007</u>	<u>155,007</u>

#### 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:

	2020 £'000	2019 £'000
Share capital	155,007	155,007
Capital contributions	34,255	34,255
Retained loss (excludes any current year profits)	(29,532)	(29,978)
Subordinated loan	-	7,500
Less: Intangible assets and fixed asset investments	(40,580)	(43,116)
Less: Portion of deferred tax asset	(641)	(1,202)
	<u>118,509</u>	<u>122,466</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 2020

#### 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 2019	251,417	62,871
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)	-
<b>Balance at 31 December 2019</b>	<b>293,036</b>	<b>62,871</b>
Granted during the period	113,081	-
Forfeited during the period	(26,092)	-
Vested during the period	(103,893)	-
Transfer out - to affiliates	-	-
Additional units for 3 for 2 stock split	138,067	31,435
<b>Balance at 31 December 2020</b>	<b>414,199</b>	<b>94,306</b>

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

	2020 £'000	2019 £'000
Deferred Compensation Plan – Restricted Stock Awards	2,333	4,266
	<b>2,333</b>	<b>4,266</b>

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 2020

#### 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 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>2020</b>				
Investments				
Equity investments	16,200	16,200	-	-
Debt investments	13,137	-	13,137	-
Short trading positions	(11,865)	(11,865)	-	-
Total	<u>17,472</u>	<u>4,335</u>	<u>13,137</u>	<u>-</u>
<b>2019</b>				
Investments				
Equity investments	11,989	11,989	-	-
Debt investments	12,416	-	12,416	-
Short trading positions	(11,760)	(11,760)	-	-
Total	<u>12,645</u>	<u>229</u>	<u>12,416</u>	<u>-</u>

## Notes to the financial statements (continued)

### at 31 December 2020

#### 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 (2019: £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 2020 £'000	Fair value 2020 £'000	Carrying amount 2019 £'000	Fair value 2019 £'000
Trade debtors	87,450	87,450	67,677	67,677
Due from related companies	28,934	28,934	26,069	26,069
Advances to employees	4,407	4,407	3,152	3,152
Cash and cash equivalents	40,115	40,115	64,591	64,591
Receivables under syndicated loan trading	31,335	31,335	65,882	65,882
Trade creditors	(27,732)	(27,732)	(19,851)	(19,851)
Due to related companies	(7,713)	(7,713)	(14,201)	(14,201)
Payables under syndicated loan trading	(27,723)	(27,723)	(64,559)	(64,559)
<b>Total</b>	<b>129,073</b>	<b>129,073</b>	<b>128,760</b>	<b>128,760</b>

## Notes to the financial statements (continued)

at 31 December 2020

### 19. Financial assets and liabilities - additional information

#### (a) Measurement categories of financial assets and liabilities

	Carrying amount 2020 £'000	Carrying amount 2019 £'000
<b>Financial assets held at fair value through profit and loss</b>		
Equity investments	16,200	11,989
Debt investments	5,547	12,416
Receivables under syndicated loan trading	31,335	65,882
<b>Financial assets held at fair value through OCI</b>		
Debt investments	7,590	-
<b>Financial assets at amortised cost</b>		
Trade debtors	87,450	67,677
Due from related companies	28,934	26,069
Advances to employees	4,407	3,152
Cash and cash equivalents	40,115	64,591
<b>Financial liabilities held at fair value through profit and loss</b>		
Short trading positions	(11,865)	(11,760)
Payables under syndicated loan trading	(27,723)	(64,559)
<b>Financial liabilities at amortised cost</b>		
Trade creditors	(27,732)	(19,851)
Due to related companies	(7,713)	(14,201)
Total financial instruments	<u>146,545</u>	<u>141,405</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 2020

#### 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:

	2020	2019
	£'000	£'000
Trade and other debtors	96,862	75,848
Receivables under syndicated loan trading	3,136	5,554
Cash and cash equivalents	40,115	64,591
	<u>140,113</u>	<u>145,993</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 2020

#### 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:

	2020	2019
	£'000	£'000
Financial institutions	18,881	20,245

##### Credit quality of financial assets

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

2020	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	119,030	1,516	232	13
Receivables under syndicated loan trading	31,335	-	-	-
Cash and cash equivalents	40,115	-	-	-
<b>Total</b>	<b>190,480</b>	<b>1,516</b>	<b>232</b>	<b>13</b>

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	-	-	-
<b>Total</b>	<b>222,116</b>	<b>4,062</b>	<b>166</b>	<b>1,027</b>

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 £260,000 (2019: £39,000) has been made for impaired trade debtors at the reporting date.

## Notes to the financial statements (continued)

### at 31 December 2020

#### 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	Due within 3 months	Due between 3 months and 12 months	Due between 1 year and 5 years	Due after 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>2020</b>						
Payables under syndicated loan trading	27,723	-	-	-	-	27,723
Trade creditors	27,732	-	-	-	-	27,732
Short trading positions	11,865	-	-	-	-	11,865
Due to related companies	7,713	-	-	-	-	7,713
Accruals	-	43,755	1,558	32,011	-	77,324
Taxes payable	-	1,119	-	-	-	1,119
Other creditors	-	780	-	-	-	780
	<b>75,033</b>	<b>45,654</b>	<b>1,558</b>	<b>32,011</b>	<b>-</b>	<b>154,256</b>
<b>2019</b>						
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
	<b>102,871</b>	<b>41,054</b>	<b>2,790</b>	<b>9,139</b>	<b>7,500</b>	<b>163,354</b>

## Notes to the financial statements (continued)

### at 31 December 2020

#### 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:	2020 £'000	2019 £'000
Euro	10,460	415
US Dollar	1,210	(268)
Canadian Dollar	26,653	23,103
Other	2,137	(305)
Total	<u>40,460</u>	<u>22,945</u>

A 10 percent weakening of the following currencies against the pound sterling at 31 December 2020 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 2019.

	Equity and Profit and Loss	
	2020 £'000	2019 £'000
Euro	(951)	(38)
US Dollar	(110)	24
Canadian Dollar	(2,423)	(2,100)
Other	(194)	28

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 2020

#### 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:

	2020 £'000	2019 £'000
<b>Fixed rate instruments</b>		
Subordinated debt	-	(7,500)
<b>Convertible fixed rate instruments</b>		
Debt investments	13,137	12,416
<b>Variable rate instruments</b>		
Cash and cash equivalents	40,115	64,591

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

A 1% increase in interest rates at 31 December 2020 would have increased equity and profit and loss by a potential maximum of £401,000 (2019: £646,000). 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 2019.

	Equity and Profit and Loss	
	2020 £'000	2019 £'000
GBP	237	402
Euro	90	34
US Dollar	58	206

##### 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	2020 £'000	2019 £'000
	Equity securities designated at fair value through profit or loss	16,200
Short trading positions (equity securities)	(11,865)	(11,760)
Net exposure	<u>4,335</u>	<u>229</u>

## Notes to the financial statements (continued)

### at 31 December 2020

#### 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 2020 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 2019.

2020	5% decrease £'000	10% decrease £'000
Equity securities designated at fair value through profit or loss	(810)	(1,621)
Short trading positions (equity securities)	593	1,187
	<u>(217)</u>	<u>(434)</u>
Net gain/(loss)	<u>(217)</u>	<u>(434)</u>
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>(11)</u>	<u>(23)</u>
Net gain/(loss)	<u>(11)</u>	<u>(23)</u>

#### 20. Obligations under operating leases contracts

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

	Buildings		Other	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Within one year	-	-	243	154
Two to five years	-	-	896	3
	<u>-</u>	<u>-</u>	<u>1,139</u>	<u>157</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 2020**

**21. Coronavirus COVID-19**

The most significant risk event during 2020 was the unprecedented COVID-19 global pandemic. The Company's whole operation moved from offices to full remote working including business areas such as equities and fixed income trading which had never before been set up in this way. This ensured that our staff remained safe and the business operational on a remote basis prior to the date on which the first lockdown was enforced. The Company was able, and continues, to maintain full continuity of service to clients.

**22. Post balance sheet event**

There have no further events subsequent to the Balance Sheet date which required adjustment or disclosure in the Financial Statements or notes therein

**23. 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.