

JEFFERIES BACHE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended 30 November 2015



Company Registration No. 512397

Jefferies Bache Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS

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Jefferies Bache Limited

STRATEGIC REPORT

The directors present their strategic report on Jefferies Bache Limited (the “Company”) for the year ended 30 November 2015.

1. REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of Jefferies International (Holdings) Limited (JIHL) which is a wholly owned subsidiary of Jefferies Group LLC. Jefferies Group LLC and its subsidiaries (together the “Jefferies Group”) operate as a global full service integrated securities and investment banking firm. Jefferies Group LLC is an indirect wholly owned subsidiary of Leucadia National Corporation.

Financial Performance

The Company recorded a loss before taxation of \$29,170,514 (2014: loss before taxation of \$65,654,362) for the year ended 30 November 2015.

On 9 April 2015 the Jefferies Group LLC board announced that it had sold the bulk of the futures business to Societe Generale S.A and any remaining trading activities would be wound down over the short to medium term. As a result of the announcement the Company has in substance terminated all financial instruments trading activities as at the Balance Sheet date. The financial instruments trading activities are presented as discontinued operations within the Profit and Loss Account (see page 9). The continuing operations within the Profit and Loss Account relate to the German pension scheme (see note 26) and associated assets.

The loss suffered in the year ended 30 November 2015 is a direct result of the additional costs incurred in closing down the business, primarily in the unwinding of trading positions, writing off operating assets and compensating staff for loss of office.

At the beginning of the year the JIHL board authorised an additional \$15 million capital contribution to strengthen the Company’s capital base during the initial wind down period (see note 21). In October 2015, the Company’s board approved a \$150 million repayment of capital to JIHL after the vast majority of trading positions have been successfully closed (see note 21).

Key financial performance indicators for year included:

	Year ended 30 November 2015 \$000	Year ended 30 November 2014 \$000
Turnover – discontinued operations	62,685	106,633
Loss on ordinary activities before taxation	(29,171)	(65,654)
Loss for the financial year	(26,222)	(56,425)
Total Shareholders’ funds	88,498	248,689
Gross margin	(45%)	(64%)
Return on capital employed	(21%)	(15%)
Current ratio	1,551%	150%

The negative return on capital employed is calculated by dividing net operating loss by total assets less current liabilities. The statutory Profit and Loss Account for the year is set out on page 9. There are no non-financial performance indicators included within the Strategic Report as the directors do not believe that there are any appropriate indicators that would assist in understanding the development, performance or position of the Company’s business.

1. REVIEW OF THE BUSINESS (continued)

Future developments and prospects

As outlined above the Company will ultimately completely terminate all commodity trading activities including closing out any final client accounts. The Company does operate a defined benefit pension scheme (see note 26) and holds insurance assets (see note 11) to fund these pension obligations. The management of these pension obligations and associated insurance assets will become the sole future activity of the Company.

The Company intends to formally withdraw from the membership of the London Metal Exchange and has applied for de-regulation from the Financial Conduct Authority (FCA).

2. CORPORATE GOVERNANCE

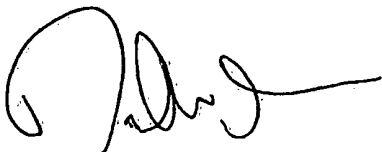
The Company is committed to high standards of corporate governance as evidenced by the level of senior management oversight and review as discussed in more detail in the Directors' report.

3. GENERAL

The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). The FCA requires and monitors that a specified minimum level of regulatory capital and liquidity is maintained by the Company.

The Company has closed its branch in Hamburg, Germany in 2015. The Company is a member of the London Metal Exchange.

On behalf of the board



D W Weaver
DIRECTOR

23 March 2016

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Jefferies Bache Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 30 November 2015. The information in relation to the Company's future developments is discussed within the Strategic Report.

1. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 30 November 2015 (2014: nil).

2. GOING CONCERN

The directors have a reasonable expectation that there are adequate resources, both in terms of liquidity and regulatory capital, for the Company to continue in operational existence for the foreseeable future. The Company operates a defined benefit pension scheme (see note 26) and holds insurance assets to fund this pension obligation (see note 11), it is expected that these activities will continue for the foreseeable future. Now that the futures trading activities have in substance been terminated the Company will become a management services company whose operations will be associated with the defined benefit pension scheme and associated insurance assets held. Future consideration of the going concern basis will be as a management services operation rather than as a financial instruments trading business.

The shareholders' funds of the Company reduced in the year from \$248.7 million as at 30 November 2014 to \$88.5 million as at 30 November 2015. This reduction is primarily due to the return of \$150 million capital to parent, JIHL, as part of the planned closure of the trading business.

The Company's own cash reserves were \$2.9 million at 30 November 2015. As at the Balance Sheet date the Company had lent \$115 million to Jefferies International Limited (JIL), a fellow JIHL group subsidiary, which is repayable on demand. In addition, Jefferies Group LLC has provided a subordinated loan note facility of \$75 million to the Company of which \$25 million was drawn down at the Balance Sheet date.

Accordingly, the directors continue to adopt the going concern basis in preparing the report and financial statements.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company acknowledges the risks it faces in undertaking its business and seeks to understand, assess and mitigate those risks in such a way that the financial impact is managed in accordance with the overall risk appetite of the Board.

The Company's financial risk management process is further discussed in note 27.

Non-financial risks considered include:

- **Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Board and its committees have put in place an operational risk management framework designed to mitigate operational risk. The framework includes governance, proactive operational risk management and periodic review and analysis of business metrics to identify and recommend controls and process related enhancements. In line with the rest of the Jefferies Group, the business of the Company falls under the Group business recovery plan.

Jefferies Bache Limited

DIRECTORS' REPORT (continued)

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

- Prudential regulatory risk is the risk that capital is inadequate to satisfy regulatory requirements, support business goals and general solvency. The FCA requires the Company to maintain specified levels of regulatory capital, which if the minimum conditions are not met would expose the Company to various sanctions, ranging from fines and censorship to partial or complete restrictions on the Company's ability to conduct business. This imposes extensive reporting requirements and continuing self-assessment and appraisal. The Board and its committees, particularly the Asset and Liability Management Committee, monitor the Company's liquidity levels against the FCA's requirements, taking pro-active measures as required.

4. CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance as evidenced by the level of senior management oversight and review.

The Board comprises four executive directors and three non-executive directors as at 30 November 2015. In 2015 the Board met at least quarterly together with additional meetings in relation to the winding down of the Company's operations.

During 2015 the Board was supported in its activities by four Board Committees (the membership of each being comprised of the three non-executive directors): (1) the Audit Committee; (2) the Board Risk Committee; (3) the Remuneration Committee; (4) the Nominations Committee; and two management committees being: the Risk Management Committee; and the Operating Committee. Each committee has its own charter detailing, amongst other matters, their respective memberships, duties and responsibilities and is appointed on a joint basis by the Company and Jefferies International Limited (which is also a wholly-owned subsidiary of the Company's parent, JIHL).

5. POST BALANCE SHEET EVENTS

On 11th March 2016 Jefferies Group LLC redeemed \$25 million in subordinated loan notes from the Company (see note 18).

6. DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are given below:

M R Bailey	(executive director)	Resigned 31 July 2015
T G Barker	(non - executive director)	
W P Campbell	(non - executive director)	
T E Cronin	(executive director)	
A B Gibbins	(non - executive director)	
D B E Lester	(executive director)	
A M Shortland	(executive director)	Resigned 17 August 2015
H M Tucker	(executive director)	
D W Weaver	(executive director)	

The directors have no interest in the Company's shares. The executive directors are eligible to participate in a share-based incentive scheme managed by the ultimate parent company, Leucadia National Corporation.

All of the current directors are remunerated through an affiliated company for their services as directors to the Company.

Jefferies Bache Limited

DIRECTORS' REPORT (continued)

6. DIRECTORS (continued)

The Company made qualifying third party indemnity provisions for the benefit of its directors which were in force during the year and remain in force at the date of this report.

7. EMPLOYER POLICY

The Company strives to keep employees informed of the progress of the businesses within the Jefferies Group. The text of public announcements is made available to employees (via e-mail) simultaneously with release to the media.

The interest of employees in the Jefferies Group's performance is augmented through the Employee Stock Purchase Plan, in which all employees are able to participate.

The Company gives full and fair consideration to applications for employment by disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members or staff become disabled the Company continues employment, either in the same or an alternate position, with appropriate retraining being given where appropriate.

8. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

Jefferies Bache Limited
DIRECTORS' REPORT (continued)

9. STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

10. INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has indicated its willingness to continue in office and appropriate arrangements are being made for it to be reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the board



H M Tucker
DIRECTOR

23 March 2016

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Jefferies Bache Limited
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JEFFERIES
INTERNATIONAL LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Jefferies Bache Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 30 November 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 November 2015;
- the profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, 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.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Paolo Taurae (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24th March 2016

Jefferies Bache Limited
PROFIT AND LOSS ACCOUNT
For the year ended 30 November 2015

	Note	2015 \$'000	2014 \$'000
Turnover			
Discontinued operations	2	62,685	106,633
Administrative expenses		(91,076)	(175,105)
Operating gain / (loss)			
Continuing operations		865	(370)
Discontinued operations		(29,256)	(68,102)
		(28,391)	(68,472)
Interest receivable and similar income	3	4,509	7,158
Interest payable and similar charges	4	(5,289)	(4,340)
Loss on ordinary activities before taxation	5	(29,171)	(65,654)
Tax on loss on ordinary activities	8	2,949	9,229
Loss for the financial year	21	(26,222)	(56,425)

The notes on pages 12 to 33 form part of these financial statements.

There is no material difference between the loss on ordinary activities before taxation and the loss for the year reported above and their historical cost equivalents, except as explained in notes 1(k); 1(m) and 1(p).

Jefferies Bache Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 November 2015

	Note	2015 \$'000	2014 \$'000
Loss for the financial year	21	(26,222)	(56,425)
Actuarial gain / (loss) recognised in pension scheme	21	40	(4,631)
Other movements in pension reserve	21	991	1,197
Movement in deferred tax relating to pension scheme and contribution	21	-	(1,259)
Total recognised losses relating to the financial year		(25,191)	(61,118)

The notes on pages 12 to 33 form part of these financial statements.

Jefferies Bache Limited

BALANCE SHEET

As at 30 November 2015

	Note	2015 \$'000	2014 \$'000
Fixed assets			
Tangible assets	9	632	1,647
Financial assets – available for sale	10	2,711	2,813
Insurance assets	11	15,332	18,102
		<u>18,675</u>	<u>22,562</u>
Current assets			
Physical commodities	12	-	3,015
Derivative financial instruments	13	23	691,502
Debtors:			
- amounts falling due within one year	14	124,347	345,681
- amounts falling due after more than one year	14	-	4,526
Securities purchased under agreements to resell	16	-	7,483
Cash at bank and in hand		2,870	289,631
		<u>127,240</u>	<u>1,341,838</u>
Current liabilities			
Derivative financial instruments	13	-	(662,018)
Creditors: amounts falling due within one year	17	(8,203)	(230,263)
		<u>(8,203)</u>	<u>(892,281)</u>
Net current assets		<u>119,037</u>	<u>449,557</u>
Total assets less current liabilities		137,712	472,119
Creditors: amounts falling due after more than one year	18	(25,000)	(195,000)
Provisions for liabilities	19	(672)	-
Pensions and similar obligations	20	<u>(23,542)</u>	<u>(28,430)</u>
Net assets		<u>88,498</u>	<u>248,689</u>
Capital and reserves			
Called up share capital	21	63,606	63,606
Non-distributable reserve	21	4,851	4,851
Share premium account	21	39,369	189,369
Capital contribution reserve	21	71,504	56,504
Other reserves	21	(2,034)	(2,034)
Profit and loss account	21	<u>(88,798)</u>	<u>(63,607)</u>
Total shareholders' funds		<u>88,498</u>	<u>248,689</u>

The notes on pages 12 to 33 form part of these financial statements.

The financial statements on pages 9 to 33 were approved by the board of directors on 23 March 2016 and were signed on its behalf by:



H M Tucker
Director

Jefferies Bache Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 November 2015

1. ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are described below. They have been applied consistently throughout this year and the prior year.

(a) Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice (UK GAAP) and under the historical cost convention, except as explained in notes 1(k), 1(m) and 1(p).

(b) Going concern

The directors have a reasonable expectation that there are adequate resources, both in terms of liquidity and regulatory capital, for the Company to continue in operational existence for the foreseeable future. The Company operates a defined benefit pension scheme (see note 26) and holds insurance assets to fund this pension obligation (see note 11), it is expected that these activities will continue after the trading business has been completely terminated.

The shareholders' funds of the Company reduced in the year from \$248.7 million as at 30 November 2014 to \$88.5 million as at 30 November 2015. This reduction is primarily due to the return of \$150 million capital to parent as part of the planned closure of the commodities trading business (see note 21).

The Company's own cash reserves were \$2.9 million at 30 November 2015. In addition, Jefferies Group LLC has provided a subordinated loan note facility of \$75 million to the Company of which \$25 million was drawn down at the Balance Sheet date.

Accordingly, the directors continue to adopt the going concern basis in preparing the report and financial statements.

(c) Discontinued operations

Operations are presented as discontinued if the following four criteria are satisfied:

- termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- former activities have ceased permanently;
- termination has a material effect on the nature and focus of the Company's operations and represents a material reduction in its operating facilities either from its withdrawal from a particular market or from a material reduction in turnover in the Company's continuing markets;
- the assets, liabilities, results of the operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

(d) Functional currency

The Company uses the United States Dollar ("USD") as its functional and reporting currency. The Company's trading revenue is largely generated in USD and the ultimate parent company and consolidated results are reported in USD.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

1. ACCOUNTING POLICIES (continued)

(e) Cash at bank and in hand

Cash at bank and in hand includes cash in hand and deposits held at call with banks.

(f) Cash flow statement

As permitted by Financial Reporting Standard 1, no cash flow statement is presented in these financial statements as the Company is an indirectly wholly-owned subsidiary of Leucadia National Corporation, which presents such a statement in its own published consolidated financial statements that are publicly available.

(g) Related party transactions

In accordance with the exemption afforded by FRS 8 'Related Party Disclosures', certain details of transactions with parent and fellow indirectly wholly-owned subsidiaries of the Leucadia National Corporation Group are not disclosed.

(h) Foreign exchange

Monetary assets and liabilities denominated in foreign currencies and outstanding at the Balance Sheet date are translated at the rates ruling at that date. All foreign currency transactions are translated into USD at the rates ruling at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at period end exchange rates are recognised in the Profit and Loss Account.

(i) Turnover

Turnover is generated from the following categories of business:

- **Principal transactions:** Principal transactions comprise turnover generated from acting as broker dealer or clearing member in principal-to-principal markets where trading positions are undertaken to satisfy customer trade demands and market making activities. All trading positions are held at Fair Value through Profit & Loss (FVTPL) with the mark-to-market process generating a gain or loss on the trading position.
- **Commissions:** Commission is charged to customers on business conducted through specific market exchanges and is generated from both own customer and introduced business. Commissions are recognised on an accruals basis from the date of trade.
- **Interest income and expense recognition:** interest income and expense presented in the profit and loss account includes interest on financial assets and liabilities and short-term and long-term funding. The interest income and expense is accounted for in the profit and loss account using the effective interest method and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

1. ACCOUNTING POLICIES (continued)

(j) Segregated funds

As required by the FCA, the Company has segregated bank and broker accounts set up for those clients who have opted in under the FCA's Client Money Rules. The cash held in these segregated accounts is required to be separately segregated from that in the non-segregated bank accounts and held by us as statutory trustee for those clients. In accordance with UKGAAP the client money balances are not recognised on the Company's Balance Sheet. Details of the amount of segregated balances are disclosed in note 24.

(k) Financial instruments

Under FRS 26 'Financial Instruments: recognition and measurement' the Company recognises financial instruments according to fair value rather than book cost.

Financial instruments include all listed and OTC forward contracts, futures and options. Transactions undertaken as part of trading activities are initially recognised and subsequently measured at their fair value. Gains and losses arising from subsequent revaluations are taken to the Profit and Loss Account.

Financial assets and liabilities

The Company classifies its financial assets and liabilities in the following categories:

- Derivative financial instruments,
- Trade debtors and Trade creditors,
- Securities purchased under agreements to resell,
- Available for sale financial assets.

Management determines the classification of financial assets and liabilities at initial recognition.

Derivative financial instruments

Derivative financial instruments are recognised at fair value through profit and loss.

Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the Profit and Loss Account. Gains and losses arising from changes in fair value are included directly in the Profit and Loss Account.

Trade debtors and trade creditors

Trade debtors, trade creditors and loans and receivables are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the relevant contract are discharged, cancelled or expire.

Securities purchased under agreements to resell

Securities purchased under agreements to resell ('reverse repos') are not recorded on the balance sheet, but rather the cash collateral pledged is recorded within assets. The reverse repurchase transactions are recorded on a settlement date basis in accordance with FRS 26 at amortised cost.

1. ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Available-for-sale financial asset investments

Available-for-sale assets are non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs and subsequently held at fair value. Gains and losses arising from changes in fixed asset investments' fair value are included as a separate component of equity until the asset is realised at which point the cumulative gain or loss is transferred to the Profit and Loss Account.

The value of seats held on commodity exchanges is determined based on the last traded share price.

Impairment

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. Where this evidence exists the assets are re-measured to reflect the present value of expected future cash flows. The difference between the carrying amount and the present value of expected future cash flows is recognised in profit and loss for the period.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented on the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Adoption of Financial Reporting Standard (FRS) 29

The Company is exempt from making certain disclosure on financial instruments, as required by FRS 29, as it is indirectly wholly-owned by Leucadia National Corporation and is included in publicly available consolidated financial statements of Leucadia National Corporation which include disclosures that comply with the standard.

(m) Insurance Assets

Insurance assets relate to contracts that meet the definition of an insurance contract in FRS 26 'Financial Instruments – Recognition and measurement' and are therefore outside of the scope of FRS 25, FRS 26 and FRS 29. The insurer accepts the insurance risk from the Company and an asset is recognised for this benefit to offset the future German pension scheme liability. In accordance with FRS 5 'Reporting the substance of transactions' the insurance assets are treated akin to pension plan assets and recorded at fair value.

Gains and losses arising from changes in insurance assets' fair value are included as a separate component of equity.

Jefferies Bache Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 November 2015

1. ACCOUNTING POLICIES (continued)

(n) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- 1: Leasehold improvements - over the life of the lease.
- 2: Fixtures, fittings and equipment – straight-line basis over estimated useful economic life of 3 - 10 years.

(o) Assets under construction

Assets under construction are stated at cost, net of any provision for impairment. The assets are not depreciated until construction has been completed and the assets are in service.

(p) Physical commodities

Stock is carried at fair value derived from market prices prevailing at the balance sheet date. Changes in the valuation of stock are recorded in the Profit and Loss Account. This is not in accordance with the requirements of SSAP 9 'Stocks and long-term contracts', which require stock to be valued at the lower of cost and net realisable value. However, the directors believe that because mark-to-market accounting is adopted for all other transactions, the valuation of stock at fair value is required for consistency and to show a true and fair view.

(q) Provisions for liabilities

As per FRS 12, the Company recognises a provision for liabilities when all three of the following conditions are met:

- the Company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

(r) Pension costs

The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The cost of a defined contribution scheme is equal to the contributions paid into the scheme for the period on an accruals basis.

The Company participated during the year in a defined benefit scheme in Germany. The liabilities are measured using the projected unit method with a discount rate equal to the rate of return on an AA rated corporate bond of equivalent term and currency.

1. ACCOUNTING POLICIES (continued)

(r) Pension costs (continued)

The following amounts have been charged to operating loss in the year:

- (i) The increase in the present value of scheme liabilities arising from employee service in the year. The charge is included in administrative expenses;
- (ii) Gains and losses arising on settlements/curtailments in the year; and
- (iii) Interest cost based on the discount rate and the present value of the scheme liabilities at the beginning and end of the period.

In addition, any increase in the present value of scheme liabilities resulting from benefit improvements is recognised over the period during which such improvements vest.

Under the requirements of FRS 17, actuarial valuations of the pension liabilities of the Company were undertaken at 30 November 2015 and 30 November 2014. These quantified the past service pension liabilities of the Company, which have been recognised in the financial statements.

Actuarial gains and losses have been recognised in the Statement of Total Recognised Gains and Losses (STRGL).

Additional details of the Company's pension arrangements have been provided in Note 26.

(s) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis.

(t) Share-based incentives

The share awards program allows employees of the Company to acquire shares in the ultimate parent company, Leucadia National Corporation. As this scheme awards equity of the ultimate parent company, Leucadia National Corporation, these transactions are accounted for on an equity-settled basis.

The fair value of share awards granted is recognised as an employee compensation expense. The amount of compensation expense is determined by reference to the fair value of the share awards on grant date. Share awards granted to an employee on commencement of employment are charged to the Profit and Loss Account immediately at the point of grant unless there is a required service period whereupon it is charged over the requisite service period on a straight-line basis.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

1. ACCOUNTING POLICIES (continued)

(t) Share-based incentives (continued)

The capital contribution reserve is credited with the share based payment contributions charge for the year and debited to the extent that a recharge is made to the Company by the ultimate parent company, Leucadia National Corporation.

A share award may be forfeited if an employee ceases to be employed by the Company before the end of the vesting period, if they breach the forfeiture provisions of that award. If the award of shares is forfeited during the vesting period, the life to date charge is reversed to the Profit and Loss Account at the time of forfeiture.

(u) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

Differences between the par value of the shares issued and the issue price are recognised in the share premium account.

(v) Subordinated loan notes

The Company has issued subordinated loan notes to Jefferies Group LLC. The subordinated loan notes are recorded on trade-date, initially at fair value with subsequent measurement on a historic cost basis.

(w) Segmental information

In the opinion of the directors, the disclosure of segmental information relating to the business categories and the geographical origin would be seriously prejudicial to the interests of the Company. The directors have therefore applied the exemption available under SSAP 25 'Segmental Reporting'.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

2. TURNOVER

	2015 \$'000	2014 \$'000
<u>Discontinued operations:</u>		
Commissions earned	32,654	63,579
Principal transactions	30,031	43,033
Other	-	21
	<u>62,685</u>	<u>106,633</u>

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 \$'000	2014 \$'000
Interest received on customer deposits and other Loans	3,869	5,296
Interest received on bank deposits	205	172
Interest received on loans to group undertakings	3	88
Other interest receivable	<u>432</u>	<u>1,602</u>
	<u>4,509</u>	<u>7,158</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 \$'000	2014 \$'000
Interest paid on loans from group undertakings	4,769	3,287
Interest paid on customer deposits and other loans	204	274
Interest paid on credit facility	<u>316</u>	<u>779</u>
	<u>5,289</u>	<u>4,340</u>

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is arrived at after charging / (crediting) the following:

	2015 \$'000	2014 \$'000
Depreciation (see note 9)	587	495
Operating lease rentals on land and buildings	416	731
Bad debt expense	1,203	52,311
Auditors' remuneration:		
- Statutory audit	357	423
- Audit-related assurance services	80	47
Foreign exchange gain	(475)	(175)

6. STAFF NUMBERS AND COSTS

The monthly average number of employees (including directors) during the year was 87 (2014: 136). The split of these was as follows:

	2015 Number	2014 Number
Front office staff	63	110
Administration staff	24	26
	87	136

The aggregate payroll costs were as follows:

	2015 \$'000	2014 \$'000
Wages and salaries	17,213	27,282
Social security costs	2,983	2,806
Share incentive costs	661	438
Other pension costs:		
<u>UK plan:</u>		
Defined contributions (see note 26)	1,235	1,976
<u>German defined benefit plan:</u>		
Service cost	-	43
Interest costs (see note 26)	523	879
	22,615	33,424

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

7. REMUNERATION OF DIRECTORS

The highest paid director received emoluments of \$641,316 (2014: \$584,486) and no contributions (2014: \$7,373) were made to a pension scheme on his behalf. The highest paid director was not awarded any shares in the year.

	2015 \$'000	2014 \$'000
Emoluments	953	2,007
Pension costs – Defined contribution scheme	13	58
Compensation for loss of office	264	-
	<u>1,230</u>	<u>2,065</u>

The directors were not granted any share awards in Leucadia National Corporation for the year ended 30 November 2015.

Of the current directors, four executive directors are members of the defined contribution plan, operated for all eligible employees of the Company (2014 – five directors).

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015 \$'000	2014 \$'000
<u>Analysis of charge in year</u>		
Current tax:		
UK corporation tax on losses for the year	(5,436)	(13,982)
Adjustments in respect of prior periods	<u>407</u>	<u>(945)</u>
	(5,029)	(14,927)
Foreign tax	<u>-</u>	<u>439</u>
Total current tax	<u>(5,029)</u>	<u>(14,488)</u>
Deferred tax (note 15)	2,115	4,406
Adjustments in respect of prior periods	<u>(35)</u>	<u>853</u>
	<u>2,080</u>	<u>5,259</u>
Total tax credit on loss on ordinary activities	<u>(2,949)</u>	<u>(9,229)</u>

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

8. TAXATION ON LOSS ON ORDINARY ACTIVITIES (continued)

The tax assessed for the year is higher (2014: lower) than the standard rate of corporation tax in the United Kingdom 20.33% (2014: 21.67%).

	2015 \$'000	2014 \$'000
<u>Factors affecting the taxation charge for the Year</u>		
Loss on ordinary activities before taxation	(29,171)	(65,654)
Loss on ordinary activities at the standard rate of UK tax of 20.33% (2014 – 21.67%)	(5,931)	(14,227)
Effects of:		
Amounts disallowed for tax purposes	2,584	121
Capital allowances (in excess of)/less than depreciation	(2,070)	113
Higher tax rates on overseas earnings	-	439
Credit in respect of share awards	(84)	(455)
Adjustments in respect of prior periods	407	(945)
Pension contributions not paid during the year	(29)	(9)
Enhanced relief for expenditure on research and development	-	(24)
Losses carried forward for future periods	-	499
Other	94	-
	(5,029)	(14,488)

Factors that may affect future tax charges

The Finance Act 2015 enacted a 1% reduction in the main UK corporation tax rate to 19% with effect from 1 April 2017, and a further 1% reduction to 18% with effect from 1 April 2020. As this change in the rate was substantively enacted prior to 30 November 2015, it has been reflected in the deferred tax asset in these financial statements.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

9. TANGIBLE FIXED ASSETS

	Leasehold Improvements	Office equipment, furniture and fittings	Assets under Construction	Total
	\$'000	\$'000	\$'000	\$'000
<u>Cost</u>				
1 December 2014	3,284	5,097	282	8,663
Disposals	-	(282)	(268)	(550)
30 November 2015	3,284	4,815	14	8,113
<u>Accumulated Depreciation</u>				
1 December 2014	2,753	4,263	-	7,016
Charge for the year	66	521	-	587
Disposals	-	(122)	-	(122)
30 November 2015	2,819	4,662	-	7,481
<u>Net book value</u>				
30 November 2015	465	153	14	632
30 November 2014	531	834	282	1,647

The tangible fixed assets' valuation has been assessed at the Balance Sheet date and no adjustment to the valuation was deemed necessary.

The assets under construction relate to the development of an internal management reporting system.

10. AVAILABLE FOR SALE INVESTMENTS

	2015		2014	
	Cost	Fair value	Cost	Fair value
	\$'000	\$'000	\$'000	\$'000
Exchange and market membership	33	2,711	33	2,813

These amounts represent the fair value of exchange market memberships held by the Company on the London Metal Exchange. Ownership of the London Metal Exchange 'B' shares is a condition of membership. The Company's management are currently negotiating the sale of the LME 'B' shares to a third party at the carrying value.

There were no impairment provisions on the available for sale investments in either 2014 or 2015.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

11. INSURANCE ASSETS

	2015 \$'000	2014 \$'000
German pension scheme insurance contracts	15,332	18,102

These amounts represent insurance policies held by the Company's German branch to meet pension obligations to employees (see note 26).

12. PHYSICAL COMMODITIES

	2015 \$'000	2014 \$'000
Silver stock	-	3,015

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 \$'000	2014 \$'000
<u>Assets:</u>		
Option contracts	23	691,502
<u>Liabilities:</u>		
Option contracts	-	662,018

14. DEBTORS

	2015 \$'000	2014 \$'000
Amounts falling due within one year:		
Trade debtors	2,939	305,718
Amounts owed by group undertakings	120,046	21,187
Group relief receivable	635	15,645
Deferred tax asset	-	108
Other debtors	46	663
Prepayments and accrued income	681	2,360
	<u>124,347</u>	<u>345,681</u>
Amounts falling due after more than one year:		
Deferred tax asset	-	1,929
Other debtors	-	1,192
Prepayments and accrued income	-	1,405
	<u>-</u>	<u>4,526</u>

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

15. DEFERRED TAX

	2015 \$'000	2014 \$'000
Deferred tax at 1 December	2,037	10,101
Credited to the profit and loss account	(2,115)	(4,406)
Prior year adjustment to the P&L	35	(870)
Amount taken to STRGL	-	(2,285)
Foreign exchange movements to the P&L	(279)	(503)
At 30 November	(322)	2,037

The Deferred tax is recognised on the following:

	2015 \$'000	2014 \$'000
Excess capital allowance (under) / over net book value of assets	(322)	1,645
Other timing differences	-	392
Deferred tax	(322)	2,037

The Finance Act 2015 enacted a 1% reduction in the main UK corporation tax rate to 19% with effect from 1 April 2017, and a further 1% reduction to 18% with effect from 1 April 2020. As this change in the rate was substantively enacted prior to 30 November 2015, it has been reflected in the deferred tax asset in these financial statements.

16. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	2015 \$'000	2014 \$'000
Reverse repurchase commodity agreements	-	7,483

The Company retains the right to re-pledge collateral received in security financing transactions. As of 30 November 2015, the market value of collateral received under reverse repurchase agreements was \$nil (2014: \$8.3 million).

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 \$'000	2014 \$'000
Trade creditors	764	193,412
Amounts owed to group undertakings	5,765	28,457
Deferred tax liability (see note 15)	322	-
Accruals and deferred income	1,272	5,008
Other creditors	80	3,386
	<u>8,203</u>	<u>230,263</u>

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 \$'000	2014 \$'000
Subordinated loan from parent company	25,000	25,000
Credit facility	-	170,000
	<u>25,000</u>	<u>195,000</u>

The subordinated loan is part of a \$75.0 million long term subordinated agreement from Jefferies Group LLC of which \$25.0 million was drawn down at the year-end. The repayment date for the subordinated loan is 31 December 2030. The interest payable is fixed at 7.5% per annum.

19. PROVISIONS FOR LIABILITIES

	Severance provision \$'000
At 1 December 2014	-
Charged to the Profit and Loss Account	4,828
Utilised during the year	<u>(4,156)</u>
At 30 November 2015	<u>672</u>

20. PENSIONS AND SIMILAR OBLIGATIONS

Other pensions and similar obligations are recognised on the following:

	2015 \$'000	2014 \$'000
Germany Defined Benefit Plan (see note 26)	23,542	28,430
	<u>23,542</u>	<u>28,430</u>

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND RESERVES

	Called up Share capital \$'000	Non- distributable reserve \$'000	Share premium account \$'000	Capital contribution reserve \$'000	Other reserves \$'000	Profit and loss account \$'000	Total \$'000
At 1 December 2014	63,606	4,851	189,369	56,504	(2,034)	(63,607)	248,689
Loss for the financial year	-	-	-	-	-	(26,222)	(26,222)
Capital contribution from Parent	-	-	-	15,000	-	-	15,000
Return of capital to parent	-	-	(150,000)	-	-	-	(150,000)
Share based payment contributions	-	-	-	661	-	-	661
Share based payment recharge	-	-	-	(661)	-	-	(661)
Actuarial gain on pension	-	-	-	-	-	40	40
Other movements in pension reserve	-	-	-	-	-	991	991
At 30 November 2015	63,606	4,851	39,369	71,504	(2,034)	(88,798)	88,498
At 1 December 2013	63,606	4,851	189,369	6,504	(2,034)	(2,489)	259,807
Loss for the financial year	-	-	-	-	-	(56,425)	(56,425)
Capital contribution from Parent	-	-	-	50,000	-	-	50,000
Share based payment contributions	-	-	-	438	-	-	438
Share based payment recharge	-	-	-	(438)	-	-	(438)
Actuarial loss on pension	-	-	-	-	-	(4,631)	(4,631)
Other movements in pension reserve	-	-	-	-	-	1,197	1,197
Movement on deferred tax on the pension scheme and contribution	-	-	-	-	-	(1,259)	(1,259)
At 30 November 2014	63,606	4,851	189,369	56,504	(2,034)	(63,607)	248,689

On 29th April 2015 the Company received an additional capital contribution of \$15 million from its parent, Jefferies International (Holdings) Limited (JIHL).

On 25th October 2015 the Company returned \$150 million in capital to JIHL as part of the planned termination of the commodities trading business.

Jefferies Bache Limited
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 November 2015

22. CALLED UP SHARE CAPITAL

	2015 \$'000	2014 \$'000
Ordinary shares of \$1 each: Issued, allotted and paid up shares	63,606	63,606

23. OPERATING LEASE COMMITMENTS

The Company had annual commitments under non-cancellable operating leases for assets expiring as follows:

	2015 Land and buildings \$'000	2014 Land and buildings \$'000
Leases which expire:		
Within one year	-	74
	-	74

24. CASH HELD IN SEGREGATED ACCOUNTS

The Company holds client money under the FCA's Client Money Rules as set out in chapter 7 of the FCA's Client Assets Sourcebook ("CASS"). As at 30 November 2015, \$48,691 of cash was held by the Company in segregated accounts with a corresponding liability of \$48,691 in creditors. The directors believe that the Company has neither access to significant benefits from the assets nor sufficient control to meet the required definition of assets and therefore the segregated client cash and associated liabilities are not recorded on the Company's Balance Sheet.

25. SHARE BASED PAYMENTS

The Company's equity settled share-based payment plan consists entirely of the Leucadia Incentive Compensation Plan, being Restricted Stock Awards and Restricted Stock Units. The aim of the plan is to provide employees with a proprietary interest in the growth and performance of the group so to better align the interests of the employees with the interest of the Leucadia National Corporation shareholders. During the year \$661,307 (2014: \$438,078) was charged to the Profit and Loss Account in respect of equity-settled share-based payment transactions.

Restricted Stock Awards ("RSA")

RSAs are made to eligible employees for recruitment and compensation purposes. The awards vest at a future date determined at the time of the grant of the award. Unvested share awards are retained upon the cessation of an individual's employment, unless they are forfeited as a result of the forfeiture provisions of those awards. In the event of forfeiture all related charges are reversed to the Profit and Loss Account.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

25. SHARE BASED PAYMENTS (continued)

Restricted Stock Units ("RSU")

RSUs are made to eligible employees for recruitment and compensation purposes. An approved proportion of the awards become non-forfeitable on future anniversaries of grant date over the vesting period. RSUs held past the predetermined grant date anniversary are retained, unless they are forfeited as a result of the forfeiture provisions of those awards. In the event of forfeiture all related charges are reversed to the Profit and Loss Account.

The equity-settled Leucadia Incentive Compensation Plan awards outstanding are as follows:

RSA	2015 Number	2014 Number
Outstanding at 1 December	52,334	74,196
Transfers from / (to) affiliated undertakings	-	70,035
Vested and distributed during the year	(46,319)	(91,897)
Outstanding at 30 November	6,015	52,334

RSU	2015 Number	2014 Number
Outstanding at 1 December	143	1,842
Additional awards granted	1	5
Vested and distributed during the year	(73)	(1,704)
Outstanding at 30 November	71	143

The fair value of the restricted stock as at the date of grant is determined by the closing price of Leucadia National Corporation shares as listed on the New York Stock Exchange. No adjustment to fair value has been made in respect of expected dividends. There are no other features of the share awards granted that were incorporated into the measurement of fair value.

There were no RSAs granted in the current or prior year. The weighted average fair value of RSUs granted for 2015 was \$19.08 (2014: \$23.60).

26. PENSION SCHEMES

The Company operates pension schemes in the United Kingdom and Germany for the benefit of its employees in those territories. Details of these schemes are provided below.

UK pension schemes – Defined contribution plan

The defined contribution plan is operated for all eligible employees of Jefferies Bache Limited operating in the United Kingdom, who entered service on or after 1 April 2002. The amount charged against profits for contributions payable by the Company to the fund amounted to \$1,235,032 (2014: \$1,975,770). The pension contributions for November 2015, which amounted to \$138,278 (November 2014: \$27,787) were due at the year end and appear in creditors.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

26. PENSION SCHEMES (continued)

German pension scheme

There is a defined benefit plan is operated for former employees of the Company's Hamburg branch. The plan is reinsured by individual insurance contracts held in the name of the group with two multi-national insurers. The net investment in these contracts has been recognised as a separate long-term insurance asset on the Balance Sheet (see note 11). All costs relating to the plan (including insurance premiums and other costs as computed by the insurer) are met in full by the Company.

The plan provides for a pension of 1% of accrued earnings up to EUR 102,258 plus 0.5% of pensionable earnings above the state social security ceiling. Pensions in payment are reviewed triennially in accordance with German law. The last formal valuation was performed as at 30 November 2015.

Bache & Associates Retirement Plan – German Defined Benefit Plan

Change in benefit obligation

	2015 \$'000	2014 \$'000
Benefit obligation at beginning of year	(28,430)	(26,364)
Service cost	-	(43)
Interest cost	(523)	(879)
Actuarial gain / (loss)	40	(4,631)
Benefits paid	1,131	1,313
Exchange rate changes	4,240	2,174
Benefit obligation at end of year	(23,542)	(28,430)

Amounts recognised in the Balance Sheet

	2015 \$'000	2014 \$'000
Present value of unfunded obligations	(23,542)	(28,430)
Fair value of plan assets	-	-
Deficit for funded plans	(23,542)	(28,430)
Related deferred tax asset	-	-
Net liability	(23,542)	(28,430)

Components of pension expense

	2015 \$'000	2014 \$'000
Current service cost	-	43
Interest cost	523	879
Total pension expense recognised in the Profit and Loss Account	523	922

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

26. PENSION SCHEMES (continued)

Statement of Total Recognised Gains and Losses	2015 \$'000	2014 \$'000			
Actuarial gain / (loss) immediately recognised	40	(4,631)			
Total pension gain / (loss) recognised in the STRGL	40	(4,631)			
Cumulative amount of actuarial loss immediately recognised	(11,313)	(11,353)			
Weighted average assumptions to determine benefit obligations	2015	2014			
Discount rate	2.20%	2.10%			
Rate of compensation increase	N/A	3.00%			
Rate of price inflation	2.00%	2.00%			
Rate of pension increases	2.00%	2.00%			
Weighted average assumptions to determine net pension cost for year ended:	2015	2014			
Discount rate	2.00%	3.40%			
Rate of price inflation	2.00%	2.00%			
Rate of pension increases	2.00%	2.00%			
Weighted average life expectancy for mortality tables used to determine benefit obligations:	2015	2014			
Member age 65 (current life expectancy)	21.03 yrs	20.89 yrs			
Member age 40 (life expectancy at age 65)	24.23 yrs	24.11 yrs			
<u>History of defined benefit obligations, assets and experience gains and losses</u>					
	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Defined benefit obligation	(23,542)	(28,430)	(26,364)	(24,509)	(19,799)
Fair value of plan assets	-	-	-	-	-
Deficit	(23,542)	(28,430)	(26,364)	(24,509)	(19,799)
<u>Experience adjustments arising on plan liabilities:</u>					
Amount	277	223	375	243	218
Percentage of plan liabilities	(1%)	(1%)	(1%)	(1%)	(1%)

27. FINANCIAL RISK MANAGEMENT

The Company's business was to maintain positions in financial instruments for trading or arbitrage purposes and to hedge positions in the books. The defined benefit scheme for former employees of its Hamburg branch holds insurance assets to fund that pension obligation.

The Company's approach to managing its key financial risks is described below:

- Market risk is the risk of loss from adverse changes in instrument values and/or earnings fluctuations arising from changes in market factors such as interest rates, exchange rates, and equity and commodity prices. This risk is now fairly limited for the business as the level of activity is now significantly reduced due to the closure of the trading business.
- Foreign currency risk can arise where significant transactions are made in currencies other than the Company's functional currency of US Dollar. In order to reduce the exposure to exchange rate fluctuations, currency risk is managed, for example by entering into foreign exchange swap contracts.
- Credit risk is the risk of loss due to adverse changes in clients' and counterparties' creditworthiness, or their inability or unwillingness to meet their financial obligations under the terms and conditions of a financial contract as and when they fall due. This risk is limited for the Company due to the small number of remaining clients.
- Liquidity risk is the risk of the Company being unable to secure adequate funding to meet current obligations. The Company is party to a liquidity group with JIL, a fellow subsidiary of JIHL, whereby the two companies combine their liquidity resources. JIL has access to a liquid asset buffer of high quality unencumbered government bonds and through borrowing from Jefferies Group LLC.

28. POST BALANCE SHEET EVENTS

On 11th March 2016 Jefferies Group LLC redeemed \$25 million in subordinated loan notes from the Company (see note 18).

29. RELATED PARTY TRANSACTIONS

In accordance with the exemption afforded by FRS 8 'Related Party Disclosures', certain details of transactions with parent and fellow subsidiary companies are not disclosed as they are with other companies that are wholly owned by the Leucadia National Corporation Group.

Jefferies Bache Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 November 2015

30. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's ultimate parent undertaking and controlling party is Leucadia National Corporation, a company incorporated in the United States of America. The financial statements of Leucadia National Corporation are for the largest group that consolidates the Company at 30 November 2015.

The parent undertaking of the smallest group which includes the Company and for which group financial statements are prepared is Jefferies International (Holdings) Limited, an intermediate holding company registered in England and Wales.

Copies of the latter group's financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ. Copies of the financial statements of Leucadia National Corporation, are available on request from 520 Madison Avenue, New York, New York 10022, United States of America.