JEFFERIES INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 30 November 2012

Company Registration No 1978621

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Jefferies International Limited for the year ended 30 November 2012

1. Principal activities

Jefferies International Limited acts as a principal operating subsidiary for Jefferies International (Holdings) Limited which in turn is an intermediate holding company for Jefferies Group LLC (formerly Jefferies Group, Inc), a United States based independent, full service global securities and investment banking firm serving companies and their investors

In this report, the term "Company" ("we", "us") refers to Jefferies International Limited and its branches The subsidiaries of Jefferies International Limited are detailed in note 12 to the financial statements The Company is exempt by virtue of s400 of Companies Act 2006 from the requirement to prepare consolidated group accounts

The Jefferies Group provides clients with capital markets, financial advisory services, institutional brokerage, securities research as well as wealth and asset management services We provide research and trade execution in equity, fixed income, foreign exchange, futures and commodities markets and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalization and other advisory services

The Company continues to operate branches in Frankfurt, Paris, Milan and Dubai The Company has a subsidiary in Zurich, Jefferies (Schweiz) AG (JSA), which is not consolidated within these financial statements

The Company is regulated by the Financial Services Authority in the United Kingdom The operations of the Company's branches and subsidiary in France, Germany, Italy, Dubai and Switzerland are regulated by the relevant authorities in those countries The Company is a member of the London Stock Exchange, Euronext, Deutsche Boerse (Xetra platform), Oslo Bors, SIX Swiss Exchange, Borsa Italia, BATS Europe (MTF) and Chi-X (MTF)

The Company currently operates in the primary sovereign debt markets, participating in debt issuances for the governments of Austria, Belgium, Germany, the Netherlands, Portugal, Slovenia and the United Kingdom We are also a dealer for the European Financial Stability Fund (EFSF)

On 1 March 2013 Jefferies Group, Inc was converted into a Delaware limited liability company and renamed Jefferies Group LLC In addition, Jefferies Group LLC became a wholly-owned subsidiary of Leucadia National Corporation ("Leucadia") through a series of merger transactions whereby Jefferies Group LLC continues to operate as the holding company to the various regulated and unregulated operating subsidiaries, including the Company

As at 30 November 2012, the Company had 802 employees representing approximately 21% of Jefferies Group's global workforce

2. Business review

The Company has recorded a loss after tax for the financial year of £25,364,422 (2011 profit of £45,385,065)

The Company has experienced a challenging year with significant deterioration in the market conditions for both equity trading and investment banking within Europe The Board regularly reviews and assesses the Company's businesses with the sole aim of returning to the profitability levels achieved in previous years In the first quarter of 2013, the Company has seen an increase in net revenues as market conditions have improved

Jefferies (Schweiz) AG (JSA), our Swiss incorporated subsidiary, continues to focus on the sales, trading and investment management of global convertible bonds JSA achieved a profit for the year of CHF 1 4 million, however those results are not consolidated in these financial statements

2. Business review (continued)

The table below sets out the key results and performance indicators for the year The statutory Profit and Loss Account for the year is set out on page 9

	Year ended 30 November 2012 £000	Year ended 30 November 2011 £000
Turnover	282,719	328,033
(Loss) / profit for the financial year	(25,364)	45,385
Shareholders' funds	259,794	265,989
<u>Key financial performance indicators</u>		
Operating profit margin	-	23%
Return on capital employed	-	16%
Current ratio	109%	115%

The return on capital employed ratio is calculated by dividing net operating profit by total assets less current liabilities

3. Subsequent event

On 1 March 2013, Jefferies Group, Inc (formerly the Company's ultimate parent company) was converted into a Delaware limited liability company and renamed Jefferies Group LLC In addition, Jefferies Group LLC became a wholly-owned subsidiary of Leucadia National Corporation ("Leucadia") through a series of merger transactions (see note 27)

4. Dividends

The directors do not recommend the payment of a dividend for the year ended 30 November 2012 (2011 £nil)

5. Going Concern

Whilst in the current economic environment there is inherent uncertainty about the level of future revenue streams, the directors have a reasonable expectation that there is both the intent and adequate resources, both in terms of liquidity and regulatory capital, for the Company to continue in operational existence for the foreseeable future This assessment is made taking into account the continuing support of the Company's parent, Jefferies International (Holdings) Limited and the US holding company, Jefferies Group LLC

The Company's shareholder's funds have decreased from £266 0 million in 2011 to £259 8 million in 2012 The Company had cash, excluding clients' monies, of £188 2 million as at 30 November 2012 compared to £135 4 million as at 30 November 2011 Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts

6. Financial 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 Jefferies Group LLC

Risk is an inherent part of the Company's business and activities Accordingly, the Company has a comprehensive risk management approach, with a formal governance structure and processes to identify, assess, monitor and manage risk

6. **Financial risk management objectives and policies** (continued)

Risk management is a multifaceted process that requires communication, judgement and knowledge of financial products and markets Accordingly, the Company's risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including the Risk Management, Operations, Compliance, Legal and Finance Departments

The principal trading risks of the Company are discussed in note 26 of the financial statements

Other risks considered include

- The Company operates in a competitive market environment and the continued success of the business is based on its staff, their knowledge and understanding of the market and meeting client requirements The Company looks to retain and recruit staff through the offering of a competitive and comprehensive compensation and benefits package that is regularly reviewed in light of market changes
- In line with the rest of the Jefferies Group, the business of the Company falls under the group business recovery plan The overall purpose of the plan is to ensure that the organisation is ready to manage the effects of an emergency on its business operations These plans not only facilitate a recovery in the event of a major catastrophe, they also assist the organisation in dealing with local disasters such as power outages, fires, floods or technology based failures

7. **Directors and directors' interests**

The directors who held office during the year were as follows

		Date of Appointment
M R Bailey	*(executive director)*	Appointed 26 October 2012
T G Barker	*(non - executive director)*	
W P Campbell	*(non - executive director)*	Appointed 9 November 2012
T E Cronin	*(executive director)*	
A B Gibbins	*(non - executive director)*	Appointed 20 November 2012
D Lester	*(executive director)*	Appointed 2 November 2012
A Shortland	*(executive director)*	Appointed 26 October 2012
H M Tucker	*(executive director)*	
D W Weaver	*(executive director)*	
J F Graham	*(executive director)*	Resigned 15 August 2012

The directors have no interest in the Company's shares Certain directors currently participate in Jefferies Group, Inc 's share-based incentive schemes In 2013 certain directors may participate in a share-based incentive scheme managed by the new ultimate parent company, Leucadia National Corporation

Of the current directors, two are remunerated through an affiliated company for their services as directors to the Company

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

8. **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

The Board comprises six executive directors and three independent non-executive directors The Board meets at least quarterly and has adopted a schedule of matters specifically reserved for its approval and/or review In addition to the quarterly scheduled meetings the Board meets when required to review specific areas of importance to the Company

8. Corporate governance (continued)

Sub-committees of the Board

The Board is supported in its activities by three committees being (1) the Audit Committee, (2) the Risk Management Committee, and (3) the Operating Committee Each committee has its own charter detailing, amongst other matters, their respective memberships, duties and responsibilities and is run on a joint basis representing the Company, Jefferies Bache Limited ("JBL") and Jefferies Investment Management Limited ("JIML") (JBL and JIML also being wholly-owned subsidiaries of the Company's parent, Jefferies International (Holdings) Limited)

Audit Committee

The Audit Committee is chaired by Timothy Barker (Independent Non-Executive Director), the other members comprise two further independent non-executive directors and two executive directors (each being directors of the Company and/or JBL and/or JIML) It meets at least quarterly and more frequently if necessary The Audit Committee is appointed by the Board to review and assess the Company's financial statements and disclosure matters, review and evaluate the external auditor (including its independence and objectivity), review the effectiveness of the internal audit function and consider and approve the internal audit plan, review the adequacy of the design and effectiveness of the system of the Company's key internal controls, including risk controls, and review the adequacy of the Company's systems in relation to whistleblowing, detection of fraud and prevention of bribery

Risk Management Committee

The Risk Management Committee is chaired by Trevor Mathews (Chief Risk Officer), the other members comprise the Global Chief Risk Officer and five executive directors (each being directors of the Company and/or JBL and/or JIML) It meets at least monthly and more frequently if necessary The Risk Management Committee is a discussion, advisory and decision-making forum and the governing body for the management of risk, as well as capital and liquidity adequacy

Operating Committee

The Operating Committee is chaired by Huw Tucker (International CFO) with the other members being the heads of the key corporate functions and the Chief Operating Officers of each of the main business divisions of the Company, JBL and JIML The Operating Committee meets on a monthly basis The Operating Committee is a discussion, review and decision-making forum for overseeing the development and effectiveness of the infrastructure and control arrangements supporting the Company's business and strategy

9. Creditor payment policy

The Company agrees payment terms and conditions with individual suppliers Once agreed, it is policy to abide by the terms of payment

10. 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 Senior management provide regular briefings to all staff concerning business performance and strategy

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

It is the policy and practice of the Company to provide equal employment opportunities for all employees and applicants The Company does not discriminate on the basis of sex, race, religion, age, nationality, ethnic origin, marital status, disability or sexual orientation Any such discrimination by an employee or worker of the Company will be treated as gross misconduct and could lead to dismissal The Company complies at all times with employment law and best practice in the countries in which it is represented

11. Charitable and political donations

Charitable donations amounting to £4,064 (2011 £3,417) were made by the Company during the financial year There were no political donations made within the current or prior financial year

12. Auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte 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

Approved by the Board and signed on its behalf by:

H M Tucker
Director

27 March 2013

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF JEFFERIES INTERNATIONAL LIMITED

We have audited the financial statements of Jefferies International Limited for the year ended 30 November 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 29 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 November 2012 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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF JEFFERIES INTERNATIONAL LIMITED (continued)

Matters on which we are required to report by exception

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

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

Michael Williams

Michael Williams
Senior Statutory Auditor
For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

27 March 2013

PROFIT AND LOSS ACCOUNT

For the year ended 30 November 2012

	Note	2012 £000	2011 £000
Turnover	*2*	282,719	328,033
Administrative expenses		(298,374)	(251,912)
Operating (loss) / profit		(15,655)	76,121
Gain from sale of fixed asset investment	*12*	-	899
Income from fixed asset investments	*12*	-	2,092
(Loss) / profit on ordinary activities before interest and taxation		(15,655)	79,112
Interest receivable and similar income	*3*	324	605
Interest payable and similar charges	*4*	(18,392)	(14,793)
(Loss) / profit on ordinary activities before taxation	*5*	(33,723)	64,924
Tax credit / (charge) on (loss) / profit on ordinary activities	*9*	8,359	(19,539)
(Loss) / profit for the financial year	*23*	(25,364)	45,385

The notes on pages 12 to 32 form part of these financial statements

The turnover and operating profit of the Company are derived entirely from continuing operations

Jefferies International Limited

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 November 2012

	Note	2012 £000	2011 £000
(Loss) / profit for the financial year		(25,364)	45,385
Currency translation difference on foreign currency net investments	23	669	(387)
Total recognised losses and gains relating to the financial year		(24,695)	44,998

The notes on pages 12 to 32 form part of these financial statements

Jefferies International Limited
BALANCE SHEET
As at 30 November 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	10	11	26
Tangible assets	11	20,540	17,986
Investments	12	2,969	2,868
		23,520	20,880
Current Assets			
Cash at bank and in hand		190,032	138,189
Trading assets	14	2,840,625	1,726,316
Debtors			
- due within one year	13	2,413,365	1,653,236
- due after one year	13	35,485	25,011
		5,479,507	3,542,752
Creditors: amounts falling due within one year			
Trading liabilities	15	(1,856,695)	(1,153,549)
Other creditors	17	(3,190,333)	(1,925,717)
		(5,047,028)	(3,079,266)
Net current assets		432,479	463,486
Total assets less current liabilities		455,999	484,366
Creditors: amounts falling due after one year	18	(195,166)	(217,807)
Provisions for liabilities and charges	20	(1,039)	(570)
Net assets		259,794	265,989
Capital and reserves			
Called up share capital	22, 23	277,139	258,639
Share premium account	23	2,162	2,162
Capital contribution reserve	23	412	412
Translation reserve	23	1,492	823
Profit and loss account	23	(21,411)	3,953
Shareholder's funds	23	259,794	265,989

The notes on pages 12 to 32 form part of these financial statements

These financial statements were approved by the board of directors and authorised for issue on 27 March 2013 and were signed on its behalf by

D W Weaver
DIRECTOR

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

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 for trading assets and liabilities, as noted below

Going concern

The financial statements are prepared on a going concern basis taking into account the continuing support from the Company's US holding company, Jefferies Group LLC The risks and uncertainties facing the Company are discussed in the Directors' Report and in note 26 The Company's shareholder's funds have decreased from £266 0 million in 2011 to £259 5 million in 2012 The Company had cash, excluding clients' monies, of £188 2 million as at 30 November 2012 compared to £135 4 million as at 30 November 2011 The decrease in shareholder's funds is solely due to the loss after tax in the year In response to the challenging market conditions the Board took the decision to strengthen the capital base of the Company with a £18 5 million share issue in the year (see note 22) Taking these factors into account, the directors are satisfied of the intent and ability of the ultimate parent company to provide support to the Company and consequently present these financial statements on a going concern basis

Group consolidation

As permitted by s400 of the Companies Act 2006 the Company is not preparing consolidated group financial statements as it is consolidated within the consolidated group financial statements of its immediate parent company, Jefferies International (Holdings) Limited which is a UK registered company

Cash flow statement

As permitted by Financial Reporting Standard 1, no cash flow statement is presented in these accounts as the Company is a wholly-owned subsidiary of Jefferies Group LLC, which presents such a statement in its own published consolidated financial statements that are publicly available

Net trading income

The Company's net trading income includes movements in the fair value of financial instruments and trading profits and losses, including dividends and coupons, earned from dealing and principal trading in marketable investments

Commission income

Commission income and fees are derived from sales activities and are accounted for on the trade date of the related transaction

Investment banking fees

Advisory and underwriting fees are recognised on an accruals basis and recorded to the profit and loss account in the period earned provided they are receivable under the terms of the contract and collectability is reasonably assured

Service fee income

Service fee income comprises intercompany transfer pricing arrangements between related business entities and is calculated and recognised on an accruals basis

1 **ACCOUNTING POLICIES** (continued)

Dividend income from subsidiaries

Income is recognised by the Company once the dividend is declared and approved by the Board of the subsidiary

Interest 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 Interest income and expense on all trading assets and liabilities are presented together with all other changes in fair value of trading assets and liabilities in net trading income The interest income and expense is accounted for on an accruals basis 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

Adoption of Financial Reporting Standard (FRS) 29

The Company utilises the FRS 29 exemption which states that certain disclosures are not required for certain subsidiaries and parent companies in their single-entity financial statements when at least 90 percent of the voting rights are held within the group, provided that entity is included in publicly available consolidated financial statements which include disclosures that comply with the standard

Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, held as part of a portfolio that is managed together for short-term profit making, or is a derivative All trading assets and liabilities are classified as held for trading purposes under FRS 26

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to the profit and loss account All changes in the fair value are recognised as part of net trading income in the profit or loss account Trading assets and liabilities are not reclassified subsequent to their initial recognition

Derivatives

Derivatives are held for both hedging and trading purposes and arise from customer and proprietary trading activities All trading book positions held by the firm are carried at fair value in the balance sheet with changes in realised and unrealised gains and losses recorded in the profit and loss account

In accordance with UK GAAP all the Company's derivative trading positions are presented gross within trading assets and trading liabilities on the face of the Balance Sheet Legally enforceable netting agreements and collateral held against those trading positions significantly reduce the net exposure of the Company to potential loss in the event of a counterparty default

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire

Offsetting

The Company only offsets financial assets and liabilities and presents the net amount in the balance sheet where it

- currently has a legally enforceable right to set off the recognised amounts, and
- intends either to settle on a net basis, or to realise the asset and liability simultaneously

1 **ACCOUNTING POLICIES** (continued)

Offsetting (continued)

In many instances the Company's net position on multiple transactions with the same counterparty is legally protected by Master Netting Agreements Such agreements ensure that the net position is settled in the event of default by either counterparty and effectively limit credit risk on gross exposures

In accordance with UK GAAP the derivative trading positions are not netted and are presented on a gross basis within the Company's financial statements

Financing transactions, stock borrowing and lending

The Company enters into repurchase and reverse repurchase agreements and securities borrowed and loaned transactions to accommodate customers and earn interest rate spreads, obtain securities for settlement and finance inventory positions

Repurchase and reverse repurchase agreements, accounted for as collateralised financing transactions, are recorded at their contractual amounts plus accrued interest Securities received under reverse repurchase agreements and securities delivered under repurchase agreements are not recognised on, or derecognised from, the Balance Sheet respectively, unless the risk and rewards of ownership are received or relinquished

To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the Company may require counterparties to deposit additional collateral or may return collateral pledged when appropriate

Substantially all repurchase and reverse repurchase activities are transacted under master agreements that give the Company the right, in the event of default, to liquidate collateral held and to offset receivables and payables with the same counterparty The Company offsets certain repurchase and reverse repurchase agreement balances with the same counterparty on the Balance Sheet

Securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received plus accrued interest Securities borrowed transactions require the Company to provide the counterparty with collateral in the form of cash, letters of credit, or other securities The Company receives collateral in the form of cash or other securities for securities loaned transactions

On a daily basis, the Company monitors the market value of securities borrowed or loaned against the collateral value, and the Company may require counterparties to deposit additional collateral or may return collateral pledged, when appropriate For securities borrowed and loaned transactions, the fees received or paid by the Company are recorded as interest revenue or expense

Securities borrowed or loaned are not recognised on, or derecognised from, the Balance Sheet respectively, unless the risk and rewards of ownership are received or relinquished

Fair value measurement

The Company accounts for financial instruments on a trade date basis and they are fair valued through the profit and loss account The fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets The fair value of exchange traded derivatives is obtained from observable market prices The fair value of over-the-counter (OTC) derivatives is determined by valuation models where the input parameters are validated by observable market data Other financial instruments' values are generally based on an assessment of each underlying investment, market data of any recent comparable transactions and incorporate assumptions regarding market outlook, amongst other factors

Fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of 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

1 ACCOUNTING POLICIES (continued)

Assets under construction

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

Intangible assets and amortisation

Intangible assets are included at cost and amortised over their estimated useful economic life Provision is made for any impairment in asset value

Fixed asset investments and shares in subsidiary undertakings

Fixed asset investments and shares in subsidiary undertakings are recorded at cost less any provisions for impairment in value

Forgivable Loans

Forgivable loans provided to an employee, where the employee must complete a specified period of service before the loan is forgiven, are amortised over the loan period until the loan is finally forgiven The total amount of the loan is amortised to the profit and loss account, with costs being recognised in the year under review to the extent that it relates to that year The loan must be repaid if an employee ceases to be employed by the Company before the loan is forgiven If the loan is to be repaid, the life to date charge is reversed to the profit and loss account upon cessation of employment

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates 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

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end The results of overseas branches are translated into sterling at the average rates of exchange for the year

Exchange differences arising from translation of the branches' results for the year from the average rate to the exchange rate ruling at the year end are accounted for in reserves

Other exchange differences are recognised in the profit and loss account

Pension costs

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in independently administered funds The amounts charged to the profit and loss account represent the contribution payable in respect of the accounting period

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

1 ACCOUNTING POLCIES (continued)

Provision for onerous leases

The Company provides for onerous obligations under operating leases where the property is vacant and a sub-let has not occurred or where the rental income from a sublet is less than that of the head lease A provision is made for the net cash outflow that is expected to arise under the lease

Share-based payments

The share awards programme allows employees of the Company to acquire shares in the ultimate parent company, Leucadia National Corporation (formerly Jefferies Group, Inc) As this is a Leucadia Group administered scheme that awards the equity of the ultimate parent company, Leucadia National Corporation (formerly Jefferies Group, Inc), 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 Where share awards are granted during the year or after the year end in respect of services rendered in the year under review, the awards are expensed to the profit and loss account in that year as the employee could be entitled to the full amount of the award without completing the vesting period

The compensation expense charged to the profit and loss account is credited to an intercompany account as a payable back to the ultimate parent company, Leucadia National Corporation (formerly Jefferies Group, Inc) 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

Deferral schemes

An Employee Benefit Trust (EBT) and an Employee Financial Retirement Benefit Scheme (EFRBS) have been set up by the Company These trusts are managed by a board of trustees and are totally independent of the Company and Jefferies Group

Fair Value Hierarchy

In determining the fair value of the financial instruments, the Company maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that observable inputs be used when available Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources Unobservable inputs reflect our assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances We apply a hierarchy to categorise our fair value measurements broken down into three levels based on the transparency of inputs as follows

Level 1 Quoted prices are available in active markets for identical assets or liabilities as of the reported date

Level 2 Pricing inputs are other than quoted prices in active markets, which are directly observable as of the reported date The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments whose fair value has been derived using a model where inputs to the model are directly observable in the market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed

Level 3 Instruments that have little to no pricing observability as of the reported date These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of the fair value require significant management judgement or estimation

1 ACCOUNTING POLCIES (continued)

Clients' money

The Company holds money on behalf of clients in accordance with the Client Asset Rules of the Financial Services Authority Such monies and the corresponding liability to clients are recorded on the Company's balance sheet

2 TURNOVER

	2012 £000	2011 £000
Net trading income		
- Principal transactions	151,413	183,724
- Commissions	33,351	27,072
- Interest	904	2,501
Investment banking fees	69,108	65,831
Service fee income	25,500	45,523
Other income	2,443	3,382
	282,719	328,033

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £000	2011 £000
Interest received on bank accounts	59	283
Interest receivable from group undertakings	11	3
Other interest receivable	254	319
	324	605

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000	2011 £000
Interest paid on bank accounts	59	-
Interest payable to group undertakings	18,067	13,807
Other interest payable	266	986
	18,392	14,793

5 (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2012 £000	2011 £000
(Loss) / profit on ordinary activities before taxation is stated after charging		
Auditor's remuneration for the statutory audit of the Company's accounts	432	316
Auditor's remuneration in relation to the regulatory audit	25	19
Auditor's remuneration for taxation services	37	27
Amortisation of intangible assets (note 10)	15	15
Depreciation of tangible fixed assets (note 11)	4,546	3,863
Operating lease rentals	4,494	6,619
Loss on foreign currency revaluation	743	1,717

6 REMUNERATION OF DIRECTORS

The highest paid director received emoluments of £1,765,435 (2011 £700,580) and no contributions (2011 £11,368) were made to a pension scheme on his behalf The highest paid director was not awarded any shares in the year

The emoluments of the directors (including the highest paid director) were as follows

	2012 £000	2011 £000
Emoluments	3,738	2,056
Pension contributions	42	41
	3,780	2,097

The directors were not granted any share awards in Jefferies Group, Inc for the year ended 30 November 2012

Contributions to money purchase pension schemes were made on behalf of five directors during the year (2011 three)

All directors benefited from qualifying third party indemnity provisions

7 STAFF NUMBERS AND COSTS

The average number of employees (including directors) during the year was 802 (2011 690) The split of these was as follows

	2012 Number	2011 Number
Front office staff	526	456
Administration staff	276	234
	802	690

The aggregate payroll costs were as follows

	2012 £000	2011 £000
Wages and salaries	168,654	145,721
Social security costs	30,125	20,421
Other pension costs	6,150	5,377
	204,929	171,519

The increase in payroll costs due to the increase in numbers of employees was offset by a one-time contribution (£1 9 million) from a third party received in relation to the purchase of Hoare Govett, the UK corporate broker, during the year

8 PENSION COSTS

The Company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the Company in independently administered funds The amount charged against profits for contributions payable by the Company to the fund amounted to £6,150,160 (2011 £5,376,638) The pension contributions for November 2012, which amounted to £431,621 (November 2011 £529,342), were still to be paid over at the year end and hence appear in creditors

9 TAXATION

	2012 £000	2011 £000
UK corporation tax (credit) / charge at 24 67% (2011 26 67%) on the (loss) / profit for the year	(4,329)	4,548
Double tax relief	-	(258)
Adjustment to UK Corporation tax in respect of prior years	(249)	(187)
Adjustment to Overseas Corporation tax in respect of prior years	326	-
	(4,252)	4,103
Overseas tax	213	299
Total current tax	(4,039)	4,402
Deferred tax (note 21)		
- origination and reversal of timing differences	(4,965)	13,487
- adjustments in respect of prior years	(297)	756
- effect of reduction in tax rate	942	894
Total tax (credit) / charge on ordinary activities	(8,359)	19,539

Tax reconciliation

	2012 £000	2011 £000
(Loss) / profit on ordinary activities before taxation	(33,723)	64,924
Tax on (loss) / profit on ordinary activities before taxation at the standard rate of corporation tax in the United Kingdom of 24 67% (2011 26 67%)	(8,319)	17,315
Non-taxable dividend	-	(558)
Non-taxable gain on disposal of subsidiary	-	(240)
Adjustments in respect of prior years	77	(187)
Disallowable expenses	677	758
Restricted stock credit	(3,334)	(2,719)
Higher tax rates on overseas earnings	213	41
Depreciation for the year in excess of / (exceeded by) capital allowances	1,122	(353)
Utilisation of tax losses	-	(7,945)
Relief for losses surrendered from group companies	-	(1,777)
Losses carried forward for future periods	6,165	-
Enhanced relief for expenditure on research and development	(247)	-
Effect of change in rate of tax	(325)	-
Other timing differences	(68)	67
Total current tax	(4,039)	4,402

Factors that may affect future tax charges

Deferred taxation relating to capital allowances and other timing differences is provided only in so far as a liability or asset is expected to crystallise in the foreseeable future

9 TAXATION (continued)

Tax reconciliation (continued)

The Finance Act 2011 enacted a 1% reduction in the UK corporation tax rate to 26% with effect from 1 April 2011 The Finance Act 2012 enacted a further reduction in the UK corporation tax rate to 24% with effect from 1 April 2012 The combined effected of these reductions in the tax rate has impacted the current tax charge in 2012 The Finance Act 2012 also enacted an additional 1% reduction in the UK corporation tax rate to 23% with effect from 1 April 2013 This further reduction will impact the current tax charge in 2013

10 INTANGIBLE ASSETS

	Software licences £000	Total £000
Cost		
As at 1 December 2011 and 30 November 2012	45	45
Amortisation		
As at 1 December 2011	19	19
Charge for the year	15	15
As at 30 November 2012	34	34
Net Book Value		
As at 30 November 2012	11	11
As at 30 November 2011	26	26

11 TANGIBLE FIXED ASSETS

	Leasehold Imp'mts £000	Fixtures, Fittings & Eqmt £000	Assets Under Const'n £'000	Total £000
Cost				
As at 1 December 2011	19,857	8,395	-	28,252
Foreign currency movement	(6)	(54)	-	(60)
Additions	3,483	2,047	1,522	7,052
Disposals	-	(162)	-	(162)
As at 30 November 2012	23,334	10,226	1,522	35,082
Depreciation				
As at 1 December 2011	6,176	4,090	-	10,266
Foreign currency movement	-	(38)	-	(38)
Charge for the year	2,650	1,896	-	4,546
Disposals	-	(232)	-	(232)
As at 30 November 2012	8,826	5,716	-	14,542
Net Book Value				
As at 30 November 2012	14,508	4,510	1,522	20,540
As at 30 November 2011	13,681	4,305	-	17,986

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

12 FIXED ASSET INVESTMENTS

	2012 £000	2011 £000
Shares in subsidiary undertakings		
As at 1 December	2,467	7,797
Additional investment in Jefferies (Japan) Limited	-	3,000
Transfer out of Jefferies (Japan) Limited	-	(8,330)
As at 30 November	2,467	2,467
Other fixed asset investments		
As at 1 December	401	400
Additions	99	-
Foreign exchange revaluation of investment	2	1
As at 30 November	502	401
Total fixed asset investments	2,969	2,868

In 2011 Jefferies (Japan) Limited (JJL) was transferred to Jefferies Asia Holdings II Private Limited The transfer of JJL generated a £0 9 million gain for the Company in 2011

The other fixed asset investments includes preference shares in Altius Holdings Limited, Altius Associates Limited and shares in the Swift payment system The Altius preference shares were transferred to the Company from Helix Associates Limited along with its trade in 2009 In 2012 the Company was allocated more Swift shares which primarily accounts for the additions in year

The Company has investments in the following subsidiaries

Name of undertaking	Description of shares held	Proportion of value of issued shares held by the group and Company	Principal activity
Jefferies (Schweiz) AG	Ordinary SF 1,000 Shares	100%	Introducing Broker
Jefferies International (Nominees) Limited	Ordinary £1 Shares	100%	Nominee Company
Jefferies International (Nominees) Client Account Limited	Ordinary £1 Shares	100%	Nominee Company

Apart from Jefferies (Schweiz) AG which is registered in Switzerland, all subsidiaries are registered in England and Wales In the year the Company did not receive a dividend from any of its subsidiaries (2011 the Company received a £2,091,900 dividend from Jefferies (Schweiz) AG)

13 DEBTORS

	2012 £000	2011 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	99,200	83,482
Securities borrowing	380,862	238,277
Securities awaiting settlement	1,229,137	648,700
Reverse repurchase agreements	463,951	494,734
Other trade receivables	223,269	162,803
Other debtors	8,660	18,542
Prepayments and accrued income	4,092	3,710
Deferred taxation (note 21)	4,194	2,988
	2,413,365	1,653,236
Amounts falling due after more than one year:		
Prepayments and accrued income	181	52
Other debtors	23,482	16,251
Deferred taxation (note 21)	11,822	8,708
	35,485	25,011

14 TRADING ASSETS

	2012 £000	2011 £000
Equity shares	156,909	116,603
Debt securities - Corporate	468,733	557,163
Debt securities - Government	1,627,217	705,788
Asset-backed securities	199,764	84,811
Derivatives	388,002	261,951
	2,840,625	1,726,316

15 TRADING LIABILITIES

	2012 £000	2011 £000
Equity shares	101,813	91,127
Debt securities - Corporate	175,616	153,338
Debt securities - Government	1,184,214	680,577
Derivatives	395,052	228,507
	1,856,695	1,153,549

16 FINANCIAL INSTRUMENTS

The tables below analyse financial instruments measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorized There are no differences between the financial instrument's fair values detailed below and the values carried on the Company's Balance Sheet

30 November 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Trading Assets				
Equity shares	109,438	44,885	2,586	156,909
Debt securities – Corporate	-	467,107	1,626	468,733
Debt securities – Government	1,095,105	532,112	-	1,627,217
Asset-backed securities	-	168,347	31,417	199,764
Derivatives	913	387,089	-	388,002
Total Trading Assets	1,205,456	1,599,540	35,629	2,840,625
Trading Liabilities				
Equity shares	92,864	8,949	-	101,813
Debt securities – Corporate	-	175,616	-	175,616
Debt securities – Government	892,338	291,876	-	1,184,214
Derivatives	542	394,510	-	395,052
Total Trading Liabilities	985,744	870,951	-	1,856,695

30 November 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Trading Assets				
Equity shares	106,512	8,769	1,322	116,603
Debt securities – Corporate	333	551,008	5,822	557,163
Debt securities – Government	490,412	215,376	-	705,788
Asset-backed securities	-	42,625	42,186	84,811
Derivatives	-	261,951	-	261,951
Total Trading Assets	597,257	1,079,729	49,330	1,726,316
Trading Liabilities				
Equity shares	88,759	2,368	-	91,127
Debt securities – Corporate	-	153,338	-	153,338
Debt securities – Government	505,744	174,833	-	680,577
Derivatives	75	228,432	-	228,507
Total Trading Liabilities	594,578	558,971	-	1,153,549

16 FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy

30 November 2012	Equity shares £000	Debt securities - Corporate £000	Debt securities – Gov't £000	Asset-backed securities £000	Total £000
Balance as at 1 December 2011	1,322	5,822	-	42,186	49,330
Total gains or (losses) recognised in profit or loss	(808)	(217)	-	(2,589)	(3,614)
Purchases	1,782	16,972	-	5,605	24,359
Issues	-	(16,313)	-	(15,388)	(31,701)
Settlements	-	-	-	(2,462)	(2,462)
Transfers into Level 3	290	832	-	18,910	20,032
Transfers out of Level 3	-	(5,470)	-	(14,845)	(20,315)
Balance at 30 November 2012	2,586	1,626	-	31,417	35,629

30 November 2011	Equity shares £000	Debt securities - Corporate £000	Debt securities – Gov't £000	Asset-backed securities £000	Total £000
Balance as at 1 December 2010	4,071	2,241	-	11,025	17,337
Total gains or (losses) recognised in profit or loss	(44)	290	-	(3,196)	(2,950)
Purchases	5,443	17,468	-	58,522	81,433
Settlements	(5,997)	(16,235)	-	(30,576)	(52,808)
Transfers into Level 3	28	2,074	-	7,396	9,498
Transfers out of Level 3	(2,179)	(16)	-	(985)	(3,180)
Balance at 30 November 2011	1,322	5,822	-	42,186	49,330

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £000	2011 £000
Bank loans and overdrafts	5,787	331
Amounts owed to group undertakings	718,160	532,692
Securities lending	403,730	237,100
Securities awaiting settlement	1,393,960	605,161
Repurchase agreements	554,101	452,973
Other amounts owed to clients and counterparties	1,882	2,834
Other trade payables	2,177	10,543
Other creditors		
- Social security	5,796	13,540
- UK Corporation tax	-	3,389
- Overseas Corporation tax	62	-
- Other creditors	68,588	33,423
- Accruals and deferred income	36,090	33,731
	3,190,333	1,925,717

18 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	2012 £000	2011 £000
Amount due to parent undertaking		
- Subordinated loan notes	194,068	216,529
Other creditors		
- Accruals and deferred income	1,098	1,278
	195,166	217,807

The subordinated loan notes are undated and are repayable at par two years from the lender issuing notice to the borrower Interest is charged at a fixed rate of 9% per annum

19 COLLATERAL

	2012 £000	2011 £000
Cash collateral paid for securities borrowed	380,862	238,277
Cash collateral received for securities lent	(403,730)	(237,100)
Cash collateral paid for reverse repurchase agreements	463,951	494,734
Cash collateral received for repurchase agreements	(554,101)	(452,973)
Net cash collateral	(113,018)	42,938
Non cash collateral pledged	44,175	108,833
Non cash collateral received	-	(13,923)
Net non cash collateral	44,175	94,910

20 PROVISION FOR LIABILITIES AND CHARGES

	Litigation provision £000	Severance provision £000	Other provisions £000	Total £000
As at 1 December 2011	-	200	370	570
Charged to the profit and loss account	757	82	-	839
Utilised during the year	-	-	(370)	(370)
As at 30 November 2012	757	282	-	1,039

Litigation provision

Provision relates to an estimate of costs on a number of specific legal matters that were unresolved at the balance sheet date

Severance provision

Provision relates to an estimate of costs related to on-going restructuring plans

Other provisions

Provisions include an onerous lease and dilapidations costs in relation to a property lease that expired in 2012

21 DEFERRED TAXATION ASSET

	£000
As at 1 December 2011	11,696
Credited to profit and loss account	4,320
As at 30 November 2012	16,016

Deferred tax comprises

	2012 £000	2011 £000
Amounts falling due within one year		
Depreciation charged in excess of capital allowances	511	284
Unrelieved tax losses	1,967	336
Share award expenses not yet deductible for tax	1,416	2,002
Other timing differences	300	366
	4,194	2,988

	2012 £000	2011 £000
Amounts falling due after more than one year		
Depreciation charged in excess of capital allowances	2,015	1,126
Unrelieved tax losses	4,097	-
Contributions into the Employee Benefit Trust and Employee Financial Retirement Benefit Scheme	1,523	1,105
Share award expenses not yet deductible for tax	4,187	5,926
Other timing differences	-	551
	11,822	8,708

The Finance Act 2012 enacted a 1% reduction in the main UK corporation tax rate to 24% with effect from 1 April 2012, and a further 1% reduction to 23% with effect from 1 April 2013 As these changes in rate were substantively enacted prior to 30 November 2012, they have been reflected in the deferred tax asset in these financial statements

A further reduction to the main rate is proposed to reduce the rate by 1% to 22% from 1 April 2014 This proposed change to the main rate had not been substantively enacted as at 30 November 2012 and therefore is not included in these financial statements

22 CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	277,139,323	258,639,323

On 14 February 2012 the Company issued 18,500,000 shares at par to its parent company, Jefferies International (Holdings) Limited, for the creation of new working capital

23 RECONCILIATION OF SHAREHOLDER'S FUNDS

	Share Capital £000	Share premium £000	Capital contrib'n £000	Translation reserve £000	Profit and loss £000	Total £000
As at 1 December 2011	258,639	2,162	412	823	3,953	265,989
Issue of shares to parent	18,500	-	-	-	-	18,500
Foreign exchange differences relating to the translation of branch results	-	-	-	669	-	669
Loss for the year	-	-	-	-	(25,364)	(25,364)
As at 30 November 2012	277,139	2,162	412	1,492	(21,411)	259,794
As at 1 December 2010	258,639	2,162	412	1,210	(41,432)	220,991
Foreign exchange differences relating to the translation of branch results	-	-	-	(387)	-	(387)
Profit for the year	-	-	-	-	45,385	45,385
As at 30 November 2011	258,639	2,162	412	823	3,953	265,989

24 COMMITMENTS UNDER OPERATING LEASES

Annual commitments under operating leases comprise

	2012			2011		
	Land & buildings £000	Other £000	Total £000	Land & buildings £000	Other £000	Total £000
Operating leases which expire						
Within one year	80	125	205	784	35	819
In two to five years	415	57	472	332	135	467
After five years	3,817	-	3,817	3,822	-	3,822
	4,312	182	4,494	4,938	170	5,108

25 SHARE-BASED PAYMENTS

During the year £5,032,599 (2011 £7,453,732) was charged to the profit and loss account in respect of equity-settled share-based payment transactions This expense was based on the fair value of the share-based payment transactions when contracted All of the expense arose under employee share awards made within the Jefferies' reward structures In future years the Company's share-based incentive scheme will award shares of the new ultimate parent company, Leucadia National Corporation

Jefferies Incentive Compensation Plan
Under the Jefferies Incentive Compensation Plan, there are three areas of compensation These are Restricted Stock Awards, the Employee Stock Purchase Plan 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 interests of the ultimate parent company shareholders

a) 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

b) Employee Stock Purchase Plan ('ESPP')
The ESPP allows eligible employees to make contributions up to US$21,250 per annum and apply such amounts to the purchase of Jefferies Group, Inc shares These contributions are deducted from the employees' net payroll The aim of the plan is to align the interests of all employees to the creation of shareholder value The plan operated in monthly sessions during the year with employee commitment being restricted to the month in question

c) 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 not 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 Group's Incentive Compensation Plan awards outstanding are as follows

RSA	2012 Number	2011 Number
Outstanding at 1 December	4,856,261	3,751,892
Transfer in / (out) from / (to) an affiliate	(44,425)	205,593
Additional awards granted	271,225	2,014,518
Vested and distributed during the year	(1,634,816)	(1,047,682)
Forfeited during the year	(34,520)	(68,060)
Outstanding at 30 November	3,413,725	4,856,261

ESPP	2012 Number	2011 Number
Outstanding at 1 December	-	-
Additional awards granted	124	98
Vested and distributed during the year	(124)	(98)
Outstanding at 30 November	-	-

25 SHARE-BASED PAYMENTS (contmued)

RSU	2012 Number	2011 Number
Outstandmg at 1 December	1,139,460	1,243,173
Transfer (out) / m from an affiliate	(299)	(9,925)
Additional awards granted	-	109,271
Vested and distributed during the year	(360,810)	(198,686)
Forfeited during the year	(139,482)	(4,373)
Outstanding at 30 November	638,869	1,139,460

The fair value of the restricted stock as at the date of grant is determined by the closing price of the Jefferies Group, Inc 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 Upon completion of the merger on 1 March 2013, the outstanding shares of Jefferies Group, Inc Common Stock were converted into 0 810 shares of Leucadia Common Stock

The weighted average fair value of RSAs granted for 2012 was $14 90 (2011 $13 83)

The weighted average fair value of shares granted under the ESPP during 2012 was $14 44 (2011 $16 52)

The weighted average fair value of RSUs granted for 2012 was $nil (2011 $14 41)

26 BUSINESS AND RISK MANAGEMENT POLICIES

The Company maintains positions in financial instruments for trading or arbitrage purposes and to hedge positions in the books Furthermore, the Company also acts as a stockbroker and agent for its customers in the purchase and sale of securities

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 The market risk appetite of the Company remains relatively limited, in terms of the size and nature of positions held, and this is monitored via a review of the positions held versus the established limits To the fullest extent possible, the market risk infrastructure and process is common across the group, thus reflecting the integrated nature of the Jefferies market risk management function As the Company's business continues to grow, this approach will be subject to ongoing review

- 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 The credit risk appetite of the Company remains relatively limited and comprises business settled principally on a delivery versus payment basis, where associated credit risk is perceived to be relatively low, and collateralised equity and fixed income financing arrangements

- The Company's functional currency is pounds sterling, foreign currency risk can arise where significant transactions are made in other currencies In order to minimise the exposure to exchange rate fluctuations, currency risk is managed at the point the income or expense is recognised in the financial accounts by the exposure being sold in the spot currency market

- In line with the rest of the Jefferies Group, the business of the Company falls under the group business recovery plan The overall purpose of the plan is to ensure that the organisation is ready to manage the effects of an emergency on its business operations These plans not only facilitate a recovery in the event of a major catastrophe, they also assist the organisation in dealing with local disasters such as power outages, fires, floods or technology based failures

26 BUSINESS AND RISK MANAGEMENT POLICIES (continued)

- Liquidity risk is the risk of the Company being unable to secure adequate funding to meet current obligations The liquidity risk is deemed to be limited for the Company as funding is available from group should it be required

The table below shows the liquidity analysis of assets and liabilities

	On demand	Due within 3 months	Due in 3-12 months	Due in one to five years	Due after five years	Total
	£000	£000	£000	£000	£000	£000
Assets						
Intangible and tangible assets	-	-	11	-	20,540	20,551
Investments	-	-	-	-	2,969	2,969
Cash at bank and in hand	190,032	-	-	-	-	190,032
Trading assets	2,840,625	-	-	-	-	2,840,625
Debtors						
- Securities borrowing	380,862	-	-	-	-	380,862
- Reverse repurchase agreements	463,951	-	-	-	-	463,951
- Other amounts falling due within one year	1,518,247	44,661	5,644	-	-	1,568,552
- Amounts falling due after more than one year	-	-	-	33,494	1,991	35,485
Total assets	5,393,717	44,661	5,655	33,494	25,500	5,503,027

	On demand	Due within 3 months	Due in 3-12 months	Due in one to five years	Due after five years	Total
	£000	£000	£000	£000	£000	£000
Liabilities						
Trading liabilities	1,856,695	-	-	-	-	1,856,695
Securities lending	403,730	-	-	-	-	403,730
Repurchase agreements	554,101	-	-	-	-	554,101
Other creditors	2,177,774	54,485	243	-	-	2,232,502
Creditors amounts falling due after one year	-	-	-	194,973	193	195,166
Provisions for liabilities and charges	-	-	1,039	-	-	1,039
Total liabilities	4,992,300	54,485	1,282	194,973	193	5,243,233
Net assets	401,417	(9,824)	4,373	(161,479)	25,307	259,794

26 BUSINESS AND RISK MANAGEMENT POLICIES (continued)

The Company's interest rate risk arises from interest bearing assets and liabilities The table below shows the effective rate of interest at the balance sheet date

	Effective interest rate	On demand/ repricing within 1 year	Repricing between one and five years	Repricing after five years	Non-interest bearing	Total
		£000	£000	£000	£000	£000
Assets						
Intangible and tangible assets	n/a	-	-	-	20,551	20,551
Investments	n/a	-	-	-	2,969	2,969
Cash at bank and in hand	n/a	-	-	-	190,032	190,032
Trading assets	n/a	-	-	-	2,840,625	2,840,625
Debtors						
- Securities borrowing	0 37%	380,862	-	-	-	380,862
- Reverse repurchase agreements	0 17%	463,951	-	-	-	463,951
- Other amounts falling due within one year	n/a	-	-	-	1,568,552	1,568,552
- Amounts falling due after more than one year	n/a	-	-	-	35,485	35,485
Total assets		844,813	-	-	4,658,214	5,503,027

	Effective interest rate	On demand/ repricing within 1 year	Repricing between one and five years	Repricing after five years	Non-interest bearing	Total
		£000	£000	£000	£000	£000
Liabilities						
Trading liabilities	n/a	-	-	-	1,856,695	1,856,695
Securities lending	0 373%	403,730	-	-	-	403,730
Repurchase agreements	0 17%	554,101	-	-	-	554,101
Other creditors	n/a	-	-	-	2,232,502	2,232,502
Creditors amounts falling due after one year	9 00%	-	194,973	-	193	195,166
Provisions for liabilities and charges	n/a	-	-	-	1,039	1,039
Total liabilities		957,831	194,973	-	4,090,429	5,243,233
Net assets		(113,018)	(194,973)	-	567,785	259,794

27 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The smallest group in which results of the Company are consolidated is Jefferies International (Holdings) Limited which is registered in England and Wales The ultimate parent company was Jefferies Group LLC (formerly Jefferies Group, Inc), which is incorporated in the United States of America Jefferies Group LLC is now a wholly-owned subsidiary of Leucadia National Corporation, the new ultimate parent company This company also heads the largest group in which these results are incorporated

On 1 March 2013, Jefferies Group, Inc was converted into a Delaware limited liability company and renamed Jefferies Group LLC In addition, Jefferies Group LLC became a wholly-owned subsidiary of Leucadia National Corporation ("Leucadia") through a series of merger transactions whereby Jefferies Group, LLC continues to operate as the holding company to the various regulated and unregulated operating subsidiaries, including the Company Upon completion of the merger, the outstanding shares of Jefferies Group, Inc Common Stock were converted into 0 810 shares of Leucadia Common Stock Further, the Chairman and Chief Executive Officer of Jefferies Group LLC, whilst retaining such positions, was appointed the Chief Executive Officer and a Director of Leucadia and the Chairman of the Executive Committee and Director of Jefferies was appointed President and a Director of Leucadia

28 CLIENTS' MONEY

At 30 November 2012, amounts held by the Company on behalf of the clients in accordance with the Clients Asset Rules of the Financial Services Authority amounted to £1,881,519 (2011 £2,834,073) The Company has no beneficial interest in these amounts, however, they are recorded on the Company's balance sheet, within Cash at bank and in hand of £190 0 million (2011 £138 2 million), in order to be consistent with the accounting policies of other companies within the Jefferies International (Holdings) Limited group

29 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions or balances with Jefferies Group LLC or any other group or associated undertakings, as the consolidated accounts of Jefferies Group LLC in which the Company is included are publicly available There were no related party transactions other than those covered under the above exemption either in the year to 30 November 2012 or in the prior year

CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong capital base that is comfortably above the minimum regulatory capital requirements to support all material risks inherent in Jefferies businesses and market environment The policy is based on calculating and holding additional capital that may be required under stressed conditions in line with regulatory requirements These stress tests inform decisions on the size and quality of capital required to ensure capital adequacy under severe but plausible stressed scenarios These results are incorporated into the capital planning approach

The size and composition of the Company's capital are determined by a number of factors including the regulatory capital requirements as per the FSA's Handbook as well as Jefferies capital planning methodologies and process, which includes our Internal Capital Adequacy Assessment Process ("ICAAP") They also may be impacted by other factors such as rating agency guidelines for Jefferies, the business environment, future business plans, the financial markets, as well as stress testing analysis and results (which assess the potential future losses due to adverse changes in the Company's business and market environments), as well as future regulatory changes e g Basel III

Jefferies actual levels of capital, total assets and financial leverage are a function of a number of factors, including, asset composition, business initiatives and opportunities, regulatory requirements and cost, and availability of both long-term and short-term funding We have historically maintained a balance sheet consisting of a large portion of our total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage activity The liquid nature of these assets provides us with flexibility in financing and managing our business

Capital Management is one of Jefferies main objective indicators when defining its overall risk appetite and tolerance levels As such the capital management strategy is driven by the strategic objectives of the group, the business plans and the Board-approved risk appetite Jefferies Capital Management Approach is forward-looking and risk-based, capital forecasts are evaluated both short-term (less than three months) as well as medium term (up to three years) with the following objectives

- To support the Group's business plans and strategic objectives,and
- To mitigate potential risk that Jefferies Group and its subsidiaries, without material franchise or business impact, remain adequately capitalised and be able to withstand trading losses during periods of stressed conditions

The Company's disclosures against Pillar 3 requirements are fully disclosed on the corporate web-site http //investor-relations jefferies com/FinancialDocs aspx?iid=102756

The Company's ongoing compliance with its internal capital management policy target and external minimum regulatory capital requirements are monitored daily by senior management and reviewed against current and possible future market conditions, current portfolio composition and expected future business developments