JEFFERIES INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 November 2016

Company Registration No. 1978621

TABLE OF CONTENTS

The directors present their strategic report on Jefferies International Limited (the "Company") for the year ended 30 November 2016.

1. REVIEW OF THE BUSINESS

The Company is the principal operating subsidiary for Jefferies International (Holdings) Limited ("JIHL") which in turn is an intermediate holding company for Jefferies Group LLC. Jefferies Group LLC is a full service investment banking firm owned by Leucadia National Corporation, a company listed on the New York Stock Exchange.

The Jefferies Group provides clients with capital markets and financial advisory services, institutional brokerage, securities research and wealth management services. It provides research and trade execution in equities, fixed income, foreign exchange and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalisation and other advisory services.

Financial Performance

The Company recorded a loss before taxation of £25,056,817 (2015: profit of £35,025,399).

The Company experienced difficult trading conditions, particularly in the first quarter when revenues within the fixed income and investment banking were negatively impacted. Market conditions improved over the remainder of the year with the fixed income division in particular building on a strong second quarter to finish the year up in comparison to the prior year. However the recovery and strong platform in the latter part of the year was insufficient to offset the overall loss for the year.

The table below sets out the key results and performance indicators for the year.

	Year ended 30 November 2016 £000	Year ended 30 November 2015 £000
Revenue	364,998	360,001
(Loss) / profit on ordinary activities before taxation	(25,057)	35,025
(Loss) / profit for the financial year	(21,688)	26,309
Total shareholders' funds	471,432	492,358
Operating profit margin	(0.2%)	16%
Return on capital employed	(0.1%)	7%
Current ratio	113%	117%

The return on capital employed is calculated by dividing operating profit by total assets less current liabilities. The statutory income statement for the year is set out on page 11. 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.

Future developments and prospects

The Board believes that the Company has sufficient resilience to withstand volatile markets and also to take advantage of more favourable market conditions.

The Board believes that the inherent risks and uncertainties are satisfactorily mitigated through the comprehensive systems of controls and senior management oversight that have been implemented throughout the business. The risks faced by the business are discussed in more detail within the Directors' report and in note 23.

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 operates branches in Frankfurt, Paris, Milan, Dubai, Stockholm and Zurich. Following the establishment of a Zurich branch, as of 2 November 2015, management propose to liquidate Jefferies (Switzerland) Limited.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. The FCA requires a specified minimum level of regulatory capital and liquidity to be maintained by the Company. The Company operates its branch offices in Frankfurt, Paris, Milan and Stockholm under the passporting regime of the Markets in Financial Instruments Directive with the FCA as the home state regulator. The Zurich branch is authorised by the Swiss Financial Markets Supervisory Authority (FINMA). The Dubai branch is authorised and regulated by the Dubai Financial Services Authority. Jefferies (Switzerland) Limited remains authorised and regulated by FINMA.

The Company is a member of the following exchanges: London Stock Exchange, Euronext, ICE Futures Europe (Financials), Deutsche Boerse, Oslo Bors, SIX Swiss Exchange, Borsa Italia, Nasdaq OMX, HDAT, SENAF, CME Group and Bondivision.

The Company operates in the primary sovereign debt markets, participating in debt issuances for the governments of Germany, Netherlands, Portugal, Slovenia and the United Kingdom. The Company is also a dealer for the European Financial Stability Fund / European Stability Mechanism.

On behalf of the Board

H M Tucker
Director

24 March 2017

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

The directors present their annual report and the audited financial statements of the Company for the year ended 30 November 2016. 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 2016 (2015: £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. This assessment is made taking into account both the result in the financial year and forecasts for future periods. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company's shareholders' funds marginally decreased from £492.4 million as at 30 November 2015 to £471.4 million as at 30 November 2016. The Company had cash of £132.3 million as at 30 November 2016.

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.

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 (see section 4 overleaf) and processes to identify, assess, monitor and manage risk.

The Company's financial risk management process is discussed in more detail in note 23.

Non-financial risks considered include:

Conduct risk
The risk that detriment is caused to our clients, the Company or to the wider Jefferies Group because of the inappropriate execution of our business activities: the Board has put in place various policies and procedures to ensure that each of the Company's employees understands and complies with the regulatory and ethical standards expected of them.

Operational risk
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. The framework covers 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 Jefferies Group business recovery plan.

Prudential regulatory risk
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 committees, particularly the Asset and Liability Management Committee, monitor the Company's liquidity levels against the FCA's requirements.

Competition risk
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 on meeting client requirements. The Company retains and recruits staff through offering a competitive and comprehensive compensation and benefits package that is regularly reviewed in light of market changes.

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

The Board comprises four executive directors and four non-executive directors. The Chairman of the Board is Walter Patrick Campbell (a non-executive director). The Board meets at least quarterly, and additionally when required, and has adopted a schedule of matters specifically reserved for its approval and/or review.

Committees

The Board is supported in its activities by four Board committees being: (1) the Audit Committee; (2) the Board Risk Committee; (3) the Remuneration Committee; (4) the Nominations Committee; and three management committees being: (1) the Risk Management Committee; (2) the Conduct Risk Committee; and (3) the Operating Committee. The Risk Management Committee and Operating Committee each have sub-committees, including an Asset and Liability Management Committee. Each committee has its charter detailing, amongst other matters, its memberships, duties and responsibilities.

Audit Committee

The Audit Committee is chaired by Alan Gibbins (Non-Executive Director); the other three members are non-executive directors. 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, disclosure and regulatory matters; review the management representations and responses to the external auditors; review and evaluate the external auditors (including their independence and objectivity); review the effectiveness of the internal audit function and consider and approve the audit plan; review the adequacy of the design and operating effectiveness of the Company's key internal controls; and review the adequacy of the Company's procedures in relation to whistleblowing, detection of fraud and prevention of bribery.

Board Risk Committee

The Board Risk Committee is chaired by Alan Gillespie (Non-Executive Director); the other three members are non-executive directors. It meets at least quarterly and more frequently if necessary. The Board Risk Committee is appointed by the Board to: review material changes, and make recommendations to the Board, in relation to each of the Individual Liquidity Adequacy Assessment (ILAA), the Internal Capital Adequacy Assessment Process (ICAAP) and the Risk Management Framework; advise the Board on the Risk Appetite Framework and tolerance across the principal risks which the Company is exposed to for current and future business strategy; review the effectiveness of the risk management processes and internal controls systems; and review the risk identification process for establishing the Company's key risks.

Remuneration Committee

The Remuneration Committee is chaired by Alan Gibbins (Non-Executive Director); the other three members are non-executive directors. It meets at least twice a year. The Remuneration Committee is appointed by the Board to: review and approve, on an annual basis, the Remuneration Policy Statement and ensure that the remuneration policies comply with the European Banking Authority's Remuneration Code, other legal and regulatory requirements and relevant industry guidance; and review the remuneration policies, practices and incentives taking into account the financial condition and future prospects of the Company together with their implications for the risk and risk management of the firm.

Nominations Committee

The Nominations Committee is chaired by Alan Gillespie (Non-Executive Director); the other three members are non-executive directors. It meets at least twice a year. The Nominations Committee is appointed by the Board to: periodically, and at least annually, assess the structure, size, composition, diversity and performance of the Board and make recommendations to the Board with regard to any changes; identify and recommend for approval, by the Board, candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the existing Board members; reviewing succession planning for directors taking into account the skills needed on the Board; review the results of the Board performance evaluation process; and supervision of the induction process for new directors and the on-going training and development of all directors.

Risk Management Committee

The Risk Management Committee is chaired by Michael Schulz (Chief Risk Officer); the other members comprise the Head of Treasury and four of the executive directors (being the Chief Executive Officer/Head of Fixed Income, Chief Financial Officer and the Heads of Equities). It meets at least monthly and more frequently if necessary. The Risk Management Committee is a discussion, advisory and decision-making forum responsible for oversight and management of market, credit, operational, strategic; liquidity and funding principal risks. This includes the review and approval of the policies for each of those principal risks, ensuring the Company operates within its stated risk appetite and overseeing the current and future risk profile of the Company. It also reviews significant changes and additions to the businesses and/or products covered by the risk management processes.

Conduct Risk Committee

The Conduct Risk Committee is chaired by Tim Cronin (Chief Executive Officer/Head of Fixed Income) with the other members being two executive directors (the Heads of Equities and Investment Banking), Head of Wealth Management, the Chief Risk Officer, General Counsel, Head of Compliance and the Group General Counsel. The committee meets monthly and also as needed at the request of a member to review any of the items set out within its mandate. The Conduct Risk Committee is the primary executive body for the oversight of Conduct Risk and is appointed by the Board to: identify, manage and oversee the profile of Conduct Risk within the Company from a risk appetite perspective; ensure the Company has adequate arrangements in place to manage conduct risk; review significant conduct risk matters as they arise (both business and employee related); and provide oversight of business activities/transactions, clients or counterparties identified as posing potentially significant conduct risk to the Company.

Operating Committee

The Operating Committee is chaired by Huw Tucker (Chief Financial Officer) with the other members being the heads of the key corporate / control functions and the Chief Operating Officers of each of the main business divisions of the Company. The Operating Committee meets at least monthly and is the main forum for coordination and communication between the control managers.

Asset and Liability Management Committee

The Asset and Liability Management Committee, which is chaired by Huw Tucker (Chief Financial Officer), supports the Risk Management Committee and the Board in the oversight of liquidity risk exposures and funding strategy, balance sheet, capital and liquidity risk management, including development of the liquidity risk management framework and the stress testing methodology. It also acts as a steering committee for the annual Internal Capital Adequacy Assessment Process ("ICAAP") and Individual Liquidity Adequacy Assessment ("ILAA"). The Asset and Liability Management Committee meets on at least a monthly basis.

5. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 13 December 2016 a £148.5 million subordinated loan note liability and associated accrued interest liability of £44.7 million was transferred to the Company from its parent company, JIHL, as part of an internal re-organisation to simplify the Company's funding structure. In return for accepting the liabilities the Company was recompensed by a cash payment of £193.2 million from JIHL equal to the full value of the liabilities. The transaction resulted in an increase in the Company's total subordinated loan note liability from £360.0 million (see note 17) to £508.5 million.

6. DIRECTORS

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

T G Barker	*(non - executive director)*	Resigned 31 March 2016
W P Campbell	*(non - executive director)*	
T E Cronin	*(executive director)*	
A B Gibbins	*(non - executive director)*	
A R Gillespie	*(non - executive director)*	Appointed 13 July 2016
E Keen	*(executive director)*	Appointed 22 March 2016
D B E Lester	*(executive director)*	
J M Maryles	*(non - executive director)*	Appointed 13 October 2016
H M Tucker	*(executive director)*	
D W Weaver	*(executive director)*	Resigned 22 June 2016

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.

The Company has 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 aims 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 provides 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 other persons working for the Company will be treated as gross misconduct and could lead to dismissal.

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 Annual Report and the financial statements in accordance with applicable law and regulation.

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 (United Kingdom Accounting Standards Financial Reporting Standards, comprising FRS 101 'Reduced Disclosure Framework', 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

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 auditors are 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 auditors are aware of that information.

10. INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP has indicated their willingness to continue in office and appropriate arrangements are being made for their reappointment as auditors in the absence of an Annual General Meeting.

On behalf of the Board

H M Tucker
Director

24 March 2017

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JEFFERIES INTERNATIONAL LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, Jefferies International 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 2016 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 statement of financial position as at 30 November 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of changes in equity 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, comprising FRS 101 "Reduced Disclosure Framework", 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 7, 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

Paolo Taurae (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24th March 2017

Income statement

		Year ended 30 November	
	Note	2016 £000	2015 £000
Revenue	4	364,998	360,001
Administrative expenses		(365,772)	(301,932)
Operating (loss) / profit	5	(774)	58,069
Finance income	7	2,806	1,739
Finance costs	7	(27,089)	(24,783)
Finance cost - net		(24,283)	(23,044)
(Loss) / profit on ordinary activities before taxation		(25,057)	35,025
Income tax on ordinary activities	8	3,369	(8,716)
(Loss) / profit for the financial year		(21,688)	26,309

The (loss) / profit for the financial year resulted from continuing operations.

The notes on pages 15 to 46 are an integral part of these financial statements.

Statement of comprehensive income

	Year ended 30 November	
	2016	2015
	£000	£000
(Loss) / profit for the financial year	(21,688)	26,309
Other comprehensive income: items that will not be reclassified to profit or loss		
Currency translation difference on foreign currency net investments	762	363
Other comprehensive income for the year	762	363
Total comprehensive (expense) / income for the financial year	(20,926)	26,672

The notes on pages 15 to 46 are an integral part of these financial statements.

Statement of financial position

	Note	As at 30 November 2016 £000	2015 £000
Fixed assets			
Property, plant and equipment	9	22,385	19,086
Investments	10	9,102	2,989
Current Assets			
Financial assets classified as held for trading	11	2,944,072	2,958,254
Trade and other receivables	13	4,072,995	2,093,456
Cash and cash equivalents		132,310	186,881
Current liabilities			
Financial liabilities classified as held for trading	14	(2,967,370)	(1,604,406)
Creditors: amounts falling due within one year	16	(3,368,654)	(2,863,360)
Net current assets		813,353	770,825
Total assets less current liabilities		844,840	792,900
Creditors: amounts falling due after more than one year	17	(371,930)	(299,299)
Provisions for liabilities	18	(1,478)	(1,243)
Net assets		471,432	492,358
Equity			
Ordinary shares	22	326,025	326,025
Share premium		2,162	2,162
Capital contribution		99,429	99,429
Foreign exchange translation		2,211	1,449
Retained earnings		41,605	63,293
Total shareholders' funds		471,432	492,358

The notes on pages 15 to 46 are an integral part of these financial statements.

The financial statements on pages 11 to 46 were approved by the board of directors on 24 March 2017 and were signed on its behalf by:

H M Tucker
Director

Statement of changes in equity

	Ordinary shares	Share premium	Capital contribution reserve	Foreign exchange translation	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 December 2015	326,025	2,162	99,429	1,449	63,293	492,358
Loss for the financial year	-	-	-	-	(21,688)	(21, 688)
Foreign currency translation differences	-	-	-	762	-	762
Total comprehensive income / (expense) for the year	-	-	-	762	(21, 688)	(20,926)
Credit related to equity-settled share based payments	-	-	825	-	-	825
Charge from parent for equity-settled share based payment	-	-	(825)	-	-	(825)
Total transactions with owners, recognized directly in equity	-	-	-	-	-	-
Balance as at 30 November 2016	326,025	2,162	99,429	2,211	41,605	471,432
Balance as at 1 December 2014	277,139	2,162	99,429	1,086	36,984	416,800
Profit for the financial year	-	-	-	-	26,309	26,309
Foreign currency translation differences	-	-	-	363	-	363
Total comprehensive income for the year	-	-	-	363	26,309	26,672
Credit related to equity-settled share based payments	-	-	3,805	-	-	3,805
Charge from parent for equity-settled share based payment	-	-	(3,805)	-	-	(3,805)
Shares issued to parent	48,886	-	-	-	-	48,886
Total transactions with owners, recognized directly in equity	48,886	-	-	-	-	48,886
Balance as at 30 November 2015	326,025	2,162	99,429	1,449	63,293	492,358

The notes on pages 15 to 46 are an integral part of these financial statements.

Notes to the financial statements

1. General information

The Company provides a range of financial services to clients including trading capabilities within the fixed income, equities and derivatives markets; as well as advisory services within wealth management and investment banking.

The Company is the principal operating subsidiary for Jefferies International (Holdings) Limited which in turn is an intermediate holding company for Jefferies Group LLC. Jefferies Group LLC is a full service investment banking firm owned by Leucadia National Corporation, a company listed on the New York Stock Exchange. Both Jefferies Group LLC and Leucadia National Corporation are incorporated in the United States of America.

The Company is a private limited company and is incorporated and domiciled in the United Kingdom, with branches operating in Frankfurt, Paris, Milan, Dubai and Stockholm. The address of its registered office is Vintners Place, 68 Upper Thames Street, London EC4V 3BJ.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 ("FRS 101") – Reduced Disclosure Framework. The financial statements have been prepared under the historical cost convention, as modified to include certain assets and liabilities at fair value (see 2.8 below) and in accordance with applicable accounting standards and company law in the United Kingdom.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- the following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information); and
  - 111 (cash flow statement information).
- the requirement of IAS 7 'Statement of Cash Flows';
- paragraph 17 of IAS 24, 'Related party disclosure' (key management compensation);
- IAS 24 'Related Party Disclosures' requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment';
- the requirements of paragraphs 91 – 99 of IFRS 13 'Fair Value Measurement' to the extent that they apply to assets and liabilities other than financial instruments.

2.2 First-time adoption of FRS 101

The Company transitioned to FRS 101 on 1 December 2015 and these financial statements are the first to be prepared under the new framework (see note 2.1). The accounting policies, as set out in note 2, have been consistently applied in preparing the financial statements for the year ended 30

November 2016 and the comparative information presented in these financial statements for the year ended 30 November 2015.

The change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. Consequently the principal accounting policies are materially unchanged from the prior year.

The adoption of FRS 101 has resulted in the Company revising certain disclosures in the notes to the financial statements. These include:

- Tax on profit on ordinary activities. Under the previous UK GAAP, a reconciliation between current tax and the product of profit on ordinary activities before taxation multiplied by the applicable tax rate was required. Upon adoption of IAS 12 'Income Taxes' the Company is now required to present a reconciliation between the total tax expense and the product of profit on ordinary activities before taxation multiplied by the applicable rate (see note 8).
- Operating leases. Under the previous UK GAAP, the rentals the Company was committed to pay in the following year in respect of its operating leases were disclosed. These were categorized by the maturity date of the lease. Upon adoption of IAS 17 'Leases', the Company is now required to disclose the total future minimum lease payments by year instead (see note 26).

In addition, FRS 101 has resulted in the Company providing additional disclosures relating to financial assets and financial liabilities due to the adoption of IFRS 7 'Financial Instruments: Disclosures' and IFRS 13 'Fair Value Measurement'.

2.2.1 Initial elections upon adoption

There are a number of optional exemptions available under IFRS 1 in the first year of adoption of the new accounting framework.

The Company has also taken advantage of the following optional exemptions, available under IFRS 1, on retrospective application of the following International Financial Reporting Standards:

- IFRS 1: 'First-time adoption of International Financial Reporting Standards' (paragraphs 6 and 21);
- FRS 2: 'Share-based payments';
- IFRS 3: 'Business combinations';
- IFRS 10: 'Consolidated financial statements' in regard to investment in subsidiaries, joint ventures and associates;
- IAS 32: 'Presentation of financial instruments' in regard to compound financial instruments; and
- IAS 23 'Borrowing costs'.

2.2.2 IFRS 1 first time adoptions exceptions

The Company has applied the mandatory exceptions in IFRS 1 in the conversion from previous UK GAAP to FRS 101 relating to estimates and derecognition of financial assets and liabilities. Estimates as at 1 December 2015 are consistent with the estimates as at the same date made in conformity with FRS 101 (see note 3). The treatment of derecognised financial assets and liabilities as at 1 December 2015 is consistent with the treatment as at the same date made in conformity with FRS 101 (see note 3).

There are no other applicable mandatory exceptions of IFRS 1 that are relevant to the Company.

2.2.3 Reconciliation from previous UK GAAP to FRS 101

IFRS 1 requires the Company to reconcile equity and comprehensive income to prior periods and explain how the transition from previous GAAP to IFRSs affected its reported financial position and financial performance.

The Company's first time adoption of FRS 101 did not have a material impact on either equity or comprehensive income.

The transition to FRS 101 has not resulted in any opening balance adjustments to the statement of financial position or restatements to the statement of comprehensive income. Therefore no reconciliation or comparative disclosure has been provided as part of the first time adoption.

2.3 New and amended standards adopted by the Company

There are no new accounting standards, amendments to accounting standards or IFRIC interpretations that are effective for the year ended 30 November 2016, that have a material impact on the Company.

2.4 Going concern

The Company's shareholders' funds reduced from £492.4 million in 2015 to £471.4 million in 2016 due solely to the loss incurred in the year. The Company had cash of £132.3 million as at 30 November 2016 (2015: £186.9 million).

The risks and uncertainties facing the Company are discussed in the Directors' Report and in note 23. Taking these factors into account, the directors are satisfied that the Company will continue to have adequate resources to continue in operational existence for the foreseeable future and consequently present these financial statements on a going concern basis.

2.5 Group consolidation

As permitted by s401 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 Jefferies Group LLC which is a company registered in the United States of America (see note 28).

2.6 Cash at bank and in hand

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

2.7 Revenue

Revenue is generated from the following categories of business:

- **Principal transactions revenue:** the Company's principal transactions revenue includes movements in the fair value of financial instruments and trading profits and losses, including dividends and interest coupons, earned from dealing and principal trading in financial instruments. The Company's principal transactions revenue is accounted for on the trade date of the related transaction.
- **Commission revenue:** commission revenue 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 in the profit and loss account in the period earned provided they are receivable under the terms of the contract and collectability is reasonably assured.
- **Interest income and expense recognition:** interest income and expense presented in the income statement includes interest on financial assets and liabilities and short-term and long-term funding. The interest income and expense is accounted for in the income statement 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.
- **Service fee income:** service fee income comprises intercompany transfer pricing arrangements between related business entities and is calculated and recognised on an accruals basis.

2.8 Trading assets and liabilities

Trading assets and liabilities are those financial instruments including derivatives, which the Company acquires or incurs principally for the purpose of selling in the near term or held as part of a portfolio that is managed together for short-term profit making. All trading assets and liabilities are classified as held for trading purposes under IAS 39.

Trading assets and liabilities are initially recognized on trade date at fair value and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to income statement. All changes in the fair value are recognised as part of principal transactions revenue in the income statement. Derivatives are held for both economic hedging and trading purposes and arise from customer and proprietary trading activities.

In accordance with International Accounting Standard (IAS) 32 the Company's derivative trading positions are presented gross within trading assets and trading liabilities on the face of the statement of financial position unless the Company has both the legal right and the intention to settle net with the counterparties to the contracts (see 2.10 below). 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.

2.9 Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows 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.

2.10 Offsetting

The Company only offsets financial assets and liabilities and presents the net amount in the statement of financial position 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.

In the vast majority of cases the Company's net position on multiple transactions with the same counterparty is governed by Master Netting Agreements.

2.11 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.

(i) Repurchase and reverse repurchase agreements

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 statement of financial position 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 valued daily and the Company may require counterparties to deposit additional collateral or may return collateral pledged when appropriate.

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 statement of financial position when there is a clear intention to settle on a net basis (see note 2.10 above).

(ii) Securities borrowed and loaned transactions agreements

Securities borrowed and loaned transactions agreements, accounted for as collateralised financing transactions, are recorded at their contractual amounts plus accrued interest. Securities received under securities borrowed agreements and securities delivered under securities loaned agreements are not recognised on, or derecognised from, the balance sheet respectively, unless the risk and rewards of ownership are received or relinquished.

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. Substantially all securities borrowed and security loaned 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. 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 statement of financial position respectively, unless the risk and rewards of ownership are received or relinquished.

2.12 Property, plant and equipment

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, 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 – 3 to 10 years.

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.

2.13 Investments and shares in subsidiary undertakings

Investments and shares in subsidiary undertakings are recorded at cost less any provisions for impairment in value.

2.14 Trade debtors

Trade debtors are all receivables owed to the Company, at the date of the statement of financial position, in relation to its trading activities. Trade debtors are recorded on the trade-date of the transaction. Trade debtors are initially recorded at fair value with subsequent measurement on an amortised cost basis.

A significant component of trade debtors are "securities awaiting settlement" balances associated with financial instrument trades entered into by the Company that have yet to reach their settlement date. Settlement periods vary in length according to market practice and convention but are typically short term. The amounts included within trade debtors and trade creditors represent the receivables and payables due to and from the Company on settlement date.

Trade debtors are routinely reviewed for any risk to collectability. If the present value of expected cashflows is less that the carrying amount, then a provision for doubtful debts will be made against the receivables. The carrying values of all financial assets, including trade debtors, are assessed for impairment at each reporting date.

2.15 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognized in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either same taxable entity or different taxable entities with there is an intention to settle the balances on a net basis.

2.16 Foreign currencies

The Company uses Pound Sterling as its functional and reporting currency.

Monetary assets and liabilities denominated in foreign currencies are translated into Pound Sterling at the rates of exchange ruling at the year end. The results of overseas branches are translated into Pound 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 other comprehensive income.

Other exchange differences are recognised in the income statement at the average rates of exchange for the year.

2.17 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 income statement represent the contribution payable in respect of the accounting period.

2.18 Leased assets

An operating lease is a lease that does not transfer substantially all risks and rewards of ownership of an asset to the lessee. The Company only holds operating leases.

Under an operating lease the leased asset is not recognised on the Company's statement of financial position. Operating lease rentals (net of any lease incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

2.19 Share-based payments

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 income statement 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.

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 Jefferies Group LLC.

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 in income statement at the time of forfeiture.

2.20 Deferred compensation

The Company has made remuneration payments to certain employees as part of agreements that stipulate a minimum service period. In accordance with IAS 19 the Company recognises the cost over the stipulated service period to match the provision of the services by the employee.

2.21 Ordinary 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.

2.22 Subordinated loan notes

The Company has issued subordinated loan notes to its parent, JIHL, and Jefferies Group LLC. The subordinated loan notes are recorded on settlement-date, initially at fair value with subsequent measurement on an amortised cost basis utilising the effective interest rate.

2.23 Cash held in segregated accounts

As required by the FCA, the Company has segregated bank and broker accounts set up for certain clients 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 the Company as statutory trustee for those clients. Segregated cash balances are not recorded on the Company's statement of financial position.

2.24 Segmental information

The Company does not fall within the scope of IFRS 8 nor do the directors believe that disclosure of segmental financial information significantly assists in the understanding of the Company's financial statements; as a result no such segmental information has been included in this report.

3. Use of estimates and uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the financial statements and related disclosures. The significant areas of estimation that could have a material impact on the assets and liabilities of the Company are listed below.

(i) Valuation of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are based mainly on market conditions existing at the end of each reporting period. Note 15 sets out the fair value of the Company's financial instruments as at 30 November 2015 and 30 November 2016.

(ii) Impairment of assets

At each reporting date the Company assesses all financial assets that are recognised at amortised cost, for any indicators of impairment. The assessment involves judgement relating to the creditworthiness of the counterparty and market conditions. The Company's trade and other receivables, as at the financial year-end, are detailed in note 13.

(iii) Recognition of deferred tax assets:

The Company recognises deferred tax assets to the extent that those assets can be utilised against future profits. The Company forecasts profit based on a number of assumptions and estimates which support the recognition of the deferred tax assets. The Company's deferred tax assets as at the financial year-end are detailed in see note 19.

(iv) Recognition of provision for litigation costs

The Company is involved in a number of litigation processes that have undeterminable future outcomes. The Company has made certain judgements and estimates, after consulting with independent legal experts, to arrive at a provision for its future litigation costs. The litigation provision recognised by the Company at the financial year-end is detailed in note 18.

The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable however actual results could differ from these estimates.

4. Revenue

Analysis of revenue by category:

	2016 £000	2015 £000
Principal transactions	133,350	107,676
Commissions	76,801	62,328
Investment banking fees	128,331	134,919
Service fee income	35,035	47,673
Other income	11,436	3,232
Total non-interest revenue	384,953	355,828
Trading interest income	99,520	104,943
Trading interest expense	(119,475)	(100,770)
Net trading interest	(19,955)	4,173
Total revenue	364,998	360,001

5. Operating (loss) / profit

Operating (loss) / profit is stated after charging / (crediting):

	2016 £000	2015 £000
Wages and salaries	194,557	161,498
Social security costs	29,814	22,199
Other pension costs	7,769	8,141
Share-based payments	825	3,805
Staff costs	232,965	195,643
Operating lease charges	4,969	4,572
Depreciation of fixed assets	3,908	4,612
(Gain) / loss on foreign currency revaluation	(11,338)	(2,645)
Audit fee payable to the Company's auditors:		
- audit related assurance	544	294
- non-audit related assurance	85	106

6. Employees and directors

Employees

The monthly average number of employees (including executive directors) employed by the Company during the year was:

By activity	2016 No.	2015 No.
Front office	542	548
Administration	264	273
	806	821

Directors:

The directors' remuneration was as follows:

	2016 £000	2015 £000
Aggregate remuneration	6,912	3,806
Compensation for loss of office	65	20
Pension contributions	318	44

Of the directors who served during the year, four executive directors were members of the defined contribution plan, operated for all eligible employees of the Company (2015 – five directors).

Highest paid director

The highest paid directors' remuneration was as follows:

	2016 £000	2015 £000
Aggregate remuneration	2,598	1,233

7. **Interest income and expense**

Finance income

	2016 £000	2015 £000
Bank interest income	1	-
Interest receivable from group undertakings	2,665	1,380
Other interest receivable	140	359
Total finance income	2,806	1,739

Finance expense

	2016 £000	2015 £000
Bank borrowings	-	37
Interest payable to group undertakings	26,743	24,528
Other interest payable	346	218
Total finance expense	27,089	24,783

Net finance cost	2016 £000	2015 £000
Interest income	2,806	1,739
Interest expense	(27,089)	(24,783)
Net finance cost	(24,283)	(23,044)

8. Income tax

Tax expense included in profit or loss:

	2016 £000	2015 £000
Current tax:		
- UK Corporation tax on profits for the year	-	8,944
- Double tax relief	-	(971)
- Adjustment in respect of prior years	(746)	670
- Overseas tax	736	1,545
Total current tax	(10)	10,188
Deferred tax:		
Origination and reversal of temporary differences	(4,157)	(1,265)
Adjustments in respect of prior years	858	(664)
Impact of change in tax rate	(60)	457
Total deferred tax	(3,359)	(1,472)
Tax on (loss) / profit on ordinary activities	(3,369)	8,716

The tax expense for the year is higher (2015: higher) than the standard rate of corporation tax in the United Kingdom for the year ended 30 November 2016 of 20.00% (2015: 20.33%). The differences are explained below:

	2016 £000	2015 £000
(Loss) / profit on ordinary activities before taxation	(25,057)	35,025
Tax thereon at the standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.33%)	(5,011)	7,122
Adjustments in respect of prior years	112	12
Disallowed expenses	462	434
Restricted stock credit	(152)	338
Higher tax rates on overseas earnings	736	569
Depreciation on non-qualifying assets	29	43
Expense relief for foreign tax	(126)	-
Enhanced relief for expenditure on research and development	-	(221)
Unpaid group relief	176	(58)
Effect of lower future tax rates	(59)	457
Other	464	20
Tax on (loss) / profit on ordinary activities	(3,369)	8,716

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

The Finance Act 2015 enacted a 1% reduction in the main UK corporation tax rate to 19% with effect from 1 April 2017 with a further reduction to 17% with effect from 1 April 2020. As this change in the rate was substantively enacted prior to 30 November 2016, it has been reflected in the deferred tax asset in these financial statements.

9. Property, plant and equipment

	Leasehold Improvements £000	Fixtures, Fittings & Equipment £000	Assets Under Construction £000	Total £000
At 30 November 2015				
Cost	24,426	17,588	5,147	47,161
Accumulated depreciation and impairment	(16,305)	(11,770)	-	(28,075)
Net book amount	8,121	5,818	5,147	19,086
Year ended 30 November 2016				
Foreign currency movement	8	34	3	45
Additions	338	2,703	4,525	7,566
Transfer	-	3,424	(3,424)	-
Disposals	(33)	(371)	-	(404)
Depreciation	(1,893)	(2,015)	-	(3,908)
Closing net book amount	6,541	9,593	6,251	22,385
At 30 November 2016				
Cost	24,739	23,378	6,251	54,368
Accumulated depreciation and impairment	(18,198)	(13,785)	-	(31,983)
Net book amount	6,541	9,593	6,251	22,385

The assets under construction relate to the on-going development of internal information technology systems and project costs relating to a future office move in London.

10. Investments

	2016			2015		
	Shares in Group Undertakings £000	'Available for sale' investments £000	Total £000	Shares in Group Undertakings £000	'Available for sale' investments £000	Total £000
As at 1 December	2,467	522	2,989	2,467	505	2,972
Additions	6,413	67	6,480	-	34	34
Disposal	-	(367)	(367)			
Revaluation	-	-	-	-	(17)	(17)
At 30 November	8,880	222	9,102	2,467	522	2,989

The Company owns 100% of the ordinary share capital of Jefferies (Switzerland) Limited, an introducing broking company incorporated in Switzerland. The Company acquired 100% of the ordinary share capital of LongAcre Partners Limited from JIHL in the year. LongAcre Partners Limited is a dormant former private equity investment company that will be liquidated in 2017.

The Company also owns 100% of the ordinary share capital of the following dormant UK companies: Jefferies International (Nominees) Limited; Jefferies International (Nominees) Client Account Limited; Jefferies Securities Limited; Jefferies Investments Limited; Leucadia Limited and Leucadia Asset Management Limited.

The 'available for sale' investments comprise of unlisted shares in the Swift payment system. The previously owned investments in the Altius companies were sold in the year.

11. Financial assets classified as held for trading

	2016 £000	2015 £000
Equities	72,571	170,813
Debt securities - Corporate	341,324	419,634
Debt securities - Government	1,849,141	1,737,257
Asset-backed securities	119,419	151,647
Derivatives	561,617	478,903
	2,944,072	2,958,254

12. Transfers of financial assets, including collateral pledged and held

In the ordinary course of business, the Company enters into various arrangements including selling securities under agreements to repurchase, purchasing securities under agreements to resell, accommodate clients' needs and finance the Company's inventory positions.

The Company pledges certain financial instruments owned to collateralise repurchase agreements and other securities financing transactions. In many cases the secured counterparties will have the right to sell or repledge the collateral transferred by the Company. Pledged financial instruments that can be sold or repledged by the secured party are identified as held for trading in the statement of financial position. The Company has determined that it retains substantially all the risks and rewards of these financial instruments and therefore has not derecognised them. In addition, it recognises a financial liability in respect of the consideration received.

As at 30 November 2016 and 30 November 2015 the approximate fair value of financial assets which had been sold or otherwise transferred, but which for accounting purposes remained recognised on the statement of financial position were £2.3 billion and £1.9 billion respectively.

The Company receives securities as collateral under resale agreements and securities borrowing transactions. The Company also receives securities as collateral in connection with securities-for-securities transactions in which the Company is the lender of securities. In many instances, the Company is permitted by contract or custom to re-hypothecate the securities received as collateral.

As at 30 November 2016 and 30 November 2015 the approximate fair value of securities received as collateral by the Company that may be sold or re-pledged were £3.4 billion and £1.8 billion respectively. As at 30 November 2016 and 30 November 2015 a substantial portion of the securities received by us had been sold or re-pledged.

13. Trade and other receivables

	2016 £000	2015 £000
Amounts owed by group undertakings	11,826	35,727
Securities borrowing	455,640	205,741
Securities awaiting settlement	2,098,499	1,012,318
Reverse repurchase agreements	1,234,561	667,729
Investment banking receivables	6,182	19,135
Other trade receivables	199,916	109,320
Employee related receivables	43,215	23,432
Deferred taxation (note 19)	14,467	11,030
Other debtors	3,683	4,191
Prepayments and accrued income	5,006	4,833
	4,072,995	2,093,456

Certain employee related receivables and prepayments amounting to £43,545,308 (2015: £30,526,681) fall due after more than one year.

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

As of 30 November 2016, other trade receivables of £1,995,366 (2015: £1,330,608) were past due and impaired. The ageing analysis of these trade receivables is as follows:

	2016 £000	2015 £000
3 to 6 months	311	240
6 to 9 months	502	9
9 to 12 months	125	38
Over 12 months	1,057	1,044
	1,995	1,331

No other financial assets were impaired as at 30 November 2016 apart from those included in the table above.

14. Financial liabilities classified as held for trading

	2016 £000	2015 £000
Equities	180,027	106,282
Debt securities - Corporate	176,954	101,955
Debt securities - Government	2,034,054	900,900
Derivatives	576,335	495,269
	2,967,370	1,604,406

15. Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1**: quoted prices in active markets for identical assets or liabilities.
- **Level 2**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3**: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 November 2016:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets:				
Equities	70,933	716	1,144	72,793
Debt securities - Corporate	-	334,930	6,394	341,324
Debt securities - Government	1,161,389	687,752	-	1,849,141
Asset-backed securities	-	104,043	15,376	119,419
Derivatives	196	561,421	-	561,617
Total assets	1,232,518	1,688,862	22,914	2,944,294
Financial liabilities::				
Equities	180,025	2	-	180,027
Debt securities - Corporate	-	176,954	-	176,954
Debt securities - Government	1,131,045	903,009	-	2,034,054
Derivatives	-	575,384	951	576,335
Total liabilities	1,311,070	1,655,349	951	2,967,370

There were no material transfers between levels 1 and 2 during the year.

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 November 2015:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets:				
Equities	169,402	689	1,244	171,335
Debt securities - Corporate	-	416,429	3,205	419,634
Debt securities - Government	845,797	891,381	79	1,737,257
Asset-backed securities	-	145,986	5,661	151,647
Derivatives	16	478,208	679	478,903
Total assets	1,015,215	1,932,693	10,868	2,958,776
Financial liabilities:				
Equities	106,282	-	-	106,282
Debt securities - Corporate	-	101,955	-	101,955
Debt securities - Government	610,531	290,369	-	900,900
Derivatives	-	493,515	1,754	495,269
Total liabilities	716,813	885,839	1,754	1,604,406

Note that the equities balance includes the "available for sale" assets within investments (see note 10).

All financial instruments are recorded at fair value. Certain other financial assets and financial liabilities, such as trade receivables and subordinated debt, are recorded at amortised cost which is considered not to be materially different from the fair value of those particular assets and liabilities.

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange. For instruments which do not trade on an exchange a market is considered active where we observe readily available executable prices from other market participants. The quoted market price used for financial assets held by the Company is the current exit price. These instruments are included in level 1.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 instruments for the year ended 30 November 2016:

Level 3 analysis	Equities £000	Debt securities £000	Government Agency Sovereigns £000	Asset-backed securities £000	Derivatives £000	Total £000
Balance as at 1 December 2015	1,244	3,205	79	5,661	(1,075)	9,114
Total gains recognised in revenue within profit or loss	(1,830)	(1,697)	21	1,259	942	(1,305)
Purchases	2,164	11,243	-	16,187	-	29,594
Sales	(433)	(12,012)	(100)	(7,359)	-	(19,904)
Settlements	-	(8)	-	(3,154)	-	(3,162)
Transfers into Level 3	-	7,158	-	5,766	-	12,924
Transfers out of Level 3	(1)	(1,495)	-	(2,984)	(818)	(5,298)
Balance at 30 November 2016	1,144	6,394	-	15,376	(951)	21,963

The following table presents the changes in level 3 instruments for the year ended 30 November 2015:

Level 3 analysis	Equity shares £000	Debt securities £000	Government Agency Sovereigns £000	Asset-backed securities £000	Derivatives £000	Total £000
Balance as at 1 December 2014	1,619	1,011	-	30,027	-	32,657
Total gains recognised in revenue within profit or loss	(189)	(976)	30	(6,969)	5,055	(3,049)
Purchases		11,352	685	13,151	1,174	26,362
Sales	(111)	(10,830)	(684)	(29,170)	(7,304)	(48,099)
Settlements	-	-	-	(4,781)	-	(4,781)
Transfers into Level 3	-	2,769	48	3,403	-	6,220
Transfers out of Level 3	(75)	(121)	-	-	-	(196)
Balance at 30 November 2015	1,244	3,205	79	5,661	(1,075)	9,114

Transfers into and out of level 3

Transfers into and out of level 3 were primarily due to the availability and observability of market data. There was a lack of current price quotes to support the fair value of certain debt and asset-backed securities which moved those financial assets into level 3. Conversely, price data did become available for a smaller amount of equities and debt securities which moved those particular financial assets out of level 3.

Significant unobservable inputs used in level 3 fair value measurement

The table below presents the ranges of significant unobservable inputs used to value the Company's level 3 financial instruments, as well as the related weighted averages.

Financial assets / (liabilities) held for trading	Valuation techniques and significant unobservable inputs	Range / value inputs of significant unobservable inputs (weighted average) As at 30 November 2016	As at 30 November 2015
Equities (£1.1 million and £1.2 million of level 3 assets as of November 2016 and November 2015 respectively)	Market comparables:		
	Underlying stock price	£106	£88
Debt securities – Corporate (£6.4 million and £3.2 million of level 3 assets as of November 2016 and November 2015 respectively)	Market comparables:		
	Transaction level	£21	£39
	"EBITDA" (a) multiples	3.3	-
	Estimated recovery percentages	-	35%
	Comparable bond prices	-	£66

Financial assets / (liabilities) held for trading	Valuation techniques and significant unobservable inputs	Range / value inputs of significant unobservable inputs (weighted average) As at 30 November 2016	As at 30 November 2015
Asset-backed securities (£15.4 million and £5.7 million of level 3 assets as of November 2016 and November 2015 respectively)			
Collateralised debt obligations	Discounted cash flows:		
	Constant prepayment rate	10% - 20% (16.3%)	-
	Constant default rate	2%	-
	Loss severity	70%	-
	Yield	7% - 10.6% (8.3%)	-
	Scenario analysis		
	Estimated recovery percentage	7.85% - 37.9% (29.4%)	-
Commercial mortgage backed securities	Discounted cash flows:		
	Yield	11%	7% - 29% (19%)
	Cumulative loss rate	58%	58% - 63% (60.7%)
Residential mortgage backed securities	Discounted cash flows:		
	Constant prepayment rate	0% - 4% (2.8%)	0% - 17.5% (7.6%)
	Constant default rate	1% - 3.0% (1.8%)	0.5% - 3% (1.9%)
	Loss severity	40% - 55% (45.1%)	35% - 55% (46.4%)
	Yield	4.9% - 7.0% (5.9%)	3.4% - 4.6% (4.1%)
Other asset backed securities	Discounted cash flows:		
	Constant prepayment rate	4%	-
	Yield	3.90%	-
Derivatives (£0.9 million and £1.1 million of level 3 liabilities as of November 2016 and November 2015 respectively)			
	Market approach		
	Credit spread	-	500 – 800 (670)
	Option model:		
	Volatility	45%	45%

- Ranges represent the significant unobservable inputs that were used in the valuation of each type of the financial instruments.
- Weighted averages are calculated by weighing each input by the relative fair value of the financial instruments.

- The ranges and weighted averages of these inputs are not representative of the appropriate inputs to use when calculating the fair value of any one financial asset. Accordingly, the ranges of inputs presented above do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's level 3 assets.
- The fair value of any one instrument may be determined using multiple valuation techniques. For example, market comparables and discounted cash flows may be used together to determine fair value. Therefore, the level 3 balance encompasses both of these techniques.

The fair value of financial assets and financial liabilities may be determined in whole or part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument or based on observable market data and changing these assumptions will change the resultant estimate of fair value. The potential impact of using reasonably possible alternative assumptions for the valuations, including significant unobservable inputs, has been quantified as at 30 November 2015 and 30 November 2016, as approximately £0.7 million and £1.6 million respectively, for favourable changes and £0.9 million and £1.8 million, respectively, for unfavourable changes. In determining reasonably possible alternative assumptions, a detailed position level review has been performed to identify and quantify instances where potential uncertainty exists. This has taken into account the positions' fair value as compared to a range of available market information.

16. Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts	4,981	-
Amounts owed to group undertakings	275,649	293,413
Securities lending	298,820	238,488
Securities awaiting settlement	2,054,530	1,448,440
Repurchase agreements	616,810	797,896
Other trade payables	-	120
Other creditors:		
- Taxation and social security	4,894	5,306
- Group relief payable	3,096	3,221
- Corporation tax	-	539
- Overseas corporation tax	371	449
- Other creditors	40,523	34,157
- Accruals and deferred income	68,980	41,331
	3,368,654	2,863,360

Amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

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

	2016 £000	2015 £000
Amounts falling due between one and five years:		
Amounts owed to group undertakings	11,798	-
Accruals and deferred income	376	544
	12,174	544
Amounts falling due after more than five years:		
Subordinated loan notes	257,825	232,365
Subordinated loan	101,931	66,390
	359,756	298,755
	371,930	299,299

As at 30 November 2016 the Company had an outstanding loan of £11.8 million from fellow Jefferies Group subsidiary, Jefferies (Switzerland) Limited, which is repayable on 28 April 2018.

Jefferies Group LLC is the lender of £107.9 million worth of the subordinated loan notes of which £87.9 million will mature on 30 April 2033, and £20.0 million on 31 May 2034.

The lender of £111.9 million of the notes, maturing on 30 April 2033, is Jefferies Financing, LLP which is ultimately owned by Jefferies Group LLC. The loan notes held by Jefferies Financing, LLP are listed on the Channel Islands Stock Exchange. The lender of £38.0 million of the loan notes, maturing on 30 November 2036, is Jefferies Holdings Limited II which is ultimately owned by Jefferies Group LLC.

Jefferies Group LLC is the lender of £42.0 million subordinated loan which matures on 30 June 2036. JIHL is the lender of the remaining £60.0 million subordinated loan which matures on 31 December 2030.

Interest is charged at a fixed rate of 7.5% per annum on both the subordinated loan notes and the subordinated loan.

18. Provisions for liabilities

	Legal provision £000	Severance provision £000	Total £000
As at 1 December 2015	353	890	1,243
Charge to the income statement	215	5,562	5,777
Amount utilised	(79)	(5,463)	(5,542)
As at 30 November 2016	489	989	1,478

Legal provision

Provision relates to an estimate of costs on a number of specific legal matters that were unresolved at the balance sheet date. We estimate that the matters will be resolved within twelve months of the balance sheet date.

Severance provision

The provision relates to severance costs arising for current ongoing restructuring plans. The affected employees had been informed of the restructuring plans as at 30 November 2016 and those plans will be completed within twelve months.

19. Deferred tax

The provision for deferred tax consists of the following deferred tax assets (liabilities):

	2016 £000	2015 £000
Deferred tax assets due within 12 months	4,972	4,351
Total provision due within 12 months	4,972	4,351
Deferred tax assets due after 12 months	9,495	6,679
Total provision due after 12 months	9,495	6,679
Total provision	14,467	11,030

Deferred tax assets	Accelerated depreciation £000	Unrelieved losses £000	Contributions to trusts £000	Share award expenses £000	Other timing differences £000	Total £000
At 1 December 2014	4,134	-	1,306	1,568	2,550	9,558
Charged / (credited) to the income statement	899	-	(130)	(852)	1,555	1,472
At 30 November 2015	5,033	-	1,176	716	4,105	11,030
Charged / (credited) to the income statement	881	3,950	(65)	(36)	(1,293)	3,437
At 30 November 2016	5,914	3,950	1,111	680	2,812	14,467

The Finance Act 2015 enacted a 1% reduction in the main UK corporation tax rate to 19% with effect from 1 April 2017 with a further reduction to 17% with effect from 1 April 2020. As this change in the rate was substantively enacted prior to 30 November 2016, it has been reflected in the deferred tax asset in these financial statements.

20. Defined contribution pension scheme

The Company provides a defined contribution scheme for its employees.

The amount recognized as an expense for the defined contribution scheme was:

	2016 £000	2015 £000
Current year contributions	7,769	8,141

The pension contributions for November 2016, which amounted to £650,254, were due at the year end and are included within creditors.

21. Share-based payments

Certain employees of the Company, along with other Jefferies Group employees, have been awarded shares in Leucadia National Corporation as part of their emoluments. The shares are restricted for a stipulated period from date of award according to certain vesting criteria (primarily based on employment service period).

The Company runs a Restricted Stock Award (RSA) and a Restricted Stock Unit (RSU) incentive schemes. The RSA scheme awards actual shares whereas the RSU scheme awards units based on the value of the shares.

The Company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a contribution of capital. The Company re-imburses Jefferies Group for the cost of the share awards though the intercompany accounts.

As at 30 November 2016 there were 45,301 RSAs (2015: 208,394) and 230,375 RSUs (2015: 227,311) outstanding. The weighted average fair value of the RSUs granted during the year was $13.91 (2015: $19.16). There were no RSAs granted in the year.

22. Share capital

Ordinary shares of £1.00 each

Authorised, allotted and fully paid	No.	£000
At 1 December 2015 and 30 November 2016	326,024,735	326,025

23. **Financial risk management**

Risk is an inherent part of the Company's business and activities. The extent to which risk is properly and effectively identified, assessed, monitored and managed is critical to the Company's financial soundness and profitability.

Risk management is a multifaceted process that requires communication, judgment and knowledge of financial products and markets. Accordingly, our risk management process encompasses the active involvement of executive and senior management and also many other departments independent of the revenue-producing business units, including Risk Management, Operations, Compliance, Legal and Finance Departments. A Risk Management Framework ('RMF' or "framework") has been developed to identify, assess, monitor and manage each risk type attributable to the Company's business model. The framework includes strategies, methods, tools, and governance structures to manage risk, including escalation to senior management and the appropriate Board committee.

The Framework is based on a "Three Lines of Defence" risk management model which ensures segregation of duties, establishing the roles, responsibilities and accountabilities for risk, control and decision making. The Framework separates the roles of primary risk takers from the independent risk managers thus helping to ensure the integrity and effectiveness of the Company's risk management process.

Principal risks involved in the Company's business activities include market, credit and liquidity risk.

Market Risk

Market risk arises from the uncertainty inherent within changing market prices and rates, the correlations between these factors and the level of any volatility. The Company's main market risks are driven by changes in yield curves, equity prices, credit spreads, product optionality, basis risk, volatility and currency movements. Market risk may arise from a variety of Company's activities including: market-making, trading, underwriting and investing. The Company's strategy for managing market risk exposure includes diversified portfolios, controlled trading volumes and establishing economic hedges in related securities or derivatives.

The Market Risk Management team ('Market Risk Management') is a function, independent of the revenue-generating units, that monitors all the Company's trading activity. It reports directly to Jefferies Group's Chief Risk Officer ("CRO") and to the global heads of Market Risk Management. Market risk management is responsible for setting and monitoring market risk limits and indicators based on a variety of measures which capture different aspects of market risk. It is the responsibility of Market Risk Management to report daily on compliance against these metrics.

Market Risk Management uses a wide range of techniques to manage the market risks inherent in the Company's business activities, including Value-at-Risk ("VaR"). VaR is a useful tool for internal reporting purposes although there are some widely acknowledged limitations in its application. As a result Market Risk Management uses other methodologies to supplement the VaR calculations in assessing, monitoring and managing market risk. Other key measures utilised include: inventory position and exposure limits on a gross and net basis; scenario analysis and stress tests; Risks-Not-in-VaR reports; sensitivity analysis, exposure concentrations; aged inventory; control of Level 3 assets; counterparty exposure; leverage; cash capital; and performance analysis metrics. It should be noted that VaR is not used in the assessment of the Company's regulatory capital requirements.

The primary techniques used by the Company to measure market risk are VaR and the "worst case" losses analysis generated by a targeted series of stress tests. Limits set within the stress tests are at a trading position, portfolio, business line or legal entity level dependent on relevance. The analysis includes any economic hedges used by the trading desks to manage the risk within their trading portfolios.

Value at Risk analysis

The Company estimates VaR using a model which simulates revenue and loss distributions by applying historical market changes to the Company's current trading portfolio. The simulation generates a "one-day" VaR measure of potential trading book losses, over a one year historical look-back period, to a 95% confidence level. This implies that, on average, the Company expects its start of day trading portfolio to incur a loss equal to the VaR amount on one out of every twenty trading days. This approach is consistent with the Company's market risk policy and supports the Company's market risk appetite as set by the Board.

In addition to calculating a firm-wide VaR, the Company also calculates VaR at a more granular trading strategy level. VaR is reported and reviewed daily against all VaR limits in the market risk limit hierarchy.

Value At Risk (VaR) at year-end	2016 £000	2015 £000
Fixed Income	1,593	2,595
Equities	320	379
Less divisional diversification	(244)	(282)
Total Company VaR	1,669	2,692

Risks not in VaR (RNIV)

Market Risk Management produces analysis identifying risks not included within the VaR, describing the nature of these risks and their materiality to the business. RNIV is tracked via a quarterly submission to the Risk Management Committee to ensure RNIV it remains within an acceptable range. The Company also assesses the allocation of capital against RNIV under Pillar 2A of the Internal Capital Adequacy Assessment Process.

Stress Testing

Stress testing is used to analyse the potential impact of specific events and moderate or extreme market moves on the current trading portfolios both Company wide and within business segments.

Stress tests are designed to consider the impact of:

- tail risk and extreme events, i.e. capturing market moves beyond the confidence levels assumed in the VaR calculations;
- breakdown in correlations; and
- non-linear risks.

The stress testing methodology assesses illiquid and concentrated positions through the application of longer liquidity horizons for these specific positions. Additionally, trading positions with embedded leverage are assessed through more severe risk factors within the stress tests.

Stress scenarios comprise both historical and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in the Company's scenarios include, but are not limited to, a large widening of credit spreads; a substantial decline in equities markets; significant moves in selected emerging and European markets; large moves in interest rates and changes in the shape of the yield curve. In addition, Market Risk Management also performs ad hoc stress tests and develops new scenarios as market conditions dictate. Stress testing is performed and reported at least daily as part of the risk management process.

Credit Risk

Credit risk is the risk of loss to the Company due to adverse change in clients' and counterparties' (collectively referred to as "clients") creditworthiness or their inability or unwillingness to meet their financial obligations under the terms and conditions of a financial contract. Credit risk arises in the normal course of the Company's business activities with other broker-dealers, customers and as a member of exchanges and clearing organisations. The Company's main credit risks arise from the Repurchase and Stock Loan desks, Over-The-Counter ("OTC") derivative transactions, free of payment transactions and long dated settlement cash trades.

Credit risk is managed according to the framework of the Jefferies Credit Risk Management Policy and Procedures (the 'Credit Risk Policy') which is responsible for identifying counterparty credit risk throughout the trading businesses, establishing counterparty limits and managing and monitoring those credit limits. The policy is approved annually by the Board's Risk Committee and includes:

- defining credit limit guidelines and credit limit approval processes;
- considering exposures to a single counterparty, or groups of connected counterparties, counterparties in the same country or region, and/or in the same industry (sector);
- approving counterparties and counterparty limits (which take into account applicable enforceable netting agreements, collateral or other acceptable forms of credit risk mitigation negotiated by the Legal Department) within parameters set by the Credit Policy;
- negotiating, approving and monitoring credit terms in legal and master documentation;
- determining the analytical standards and risk parameters for on-going management and monitoring credit risk books;
- actively managing daily exposure, exceptions, and breaches; and
- monitoring daily margin call activity and counterparty performance (in concert with the Company's Collateral Management Departments).

Credit Limit Assessment

All clients of the Company must go through a formal on-boarding process. This process includes an assessment of the credit quality of the client, which is then used to assign credit limits to the Company's transactions with that client. Each credit assessment involves a detailed investigation into the client's financial stability, leverage, liquidity, capital position, and other relevant risk factors. Where a client is rated by at least one of the three major external credit rating agencies, then that rating is typically considered. Alternatively an internal risk rating model is used, together with detailed credit analysis, to assign a credit rating to each client. It is the responsibility of credit risk management to regularly review and update all credit ratings assigned to clients. Any significant changes to a client's financial position require a re-evaluation of credit limits applied.

Limit Framework Methodology

Credit Risk Management ("CRM") assesses counterparty credit risk and sets credit limits at the counterparty group level; for each individual client; and by specific product type. Clients are grouped in a hierarchy by common ultimate parent. Limits must be approved per appropriate credit authorities and set as live in credit and trading systems before trading commences. Limits are measured in terms of potential exposure. Credit limit and exposure methodology includes:

- credit limit types- individual equity, fixed income and commodity product-specific limits defined and governed by master legal documentation; collateral terms; netting rules; trading and settlement characteristics; and
- credit limit measures - based on various exposure metrics including notional, margin financing, settlement, mark-to-market or fair value amounts, and potential or expected exposures; tenor; haircuts; and collateralization.

The Company uses the large exposures regime and the limits within it to constrain regulatory capital to counterparty credit exposures.

Credit Risk Mitigation

The Company utilises a number of legal and market available credit risk mitigating factors to manage counterparty risk. The Group makes use of eligible credit risk mitigating factors including offsetting assets against liabilities ("netting") and receipt of collateral to reduce its credit risk exposures, subject to the relevant legal agreements meeting the requirements set out in the Capital Requirements Regulation ("CRR").

The key mitigating factors used within the Company to manage credit risk is requiring counterparties to post collateral (also known as margin) under the terms of a Credit Support Annex ("CSA"). The key objectives of collateral management are:

- identifying the underlying products that require margin maintenance;
- defining the operational margining process; and
- ensuring appropriate management of credit and operational risk within the margining process.

The appropriate level of collateralisation for each client is set by CRM within the legal negotiation process. This process will assess the projected transaction values, in accordance with the contractual legal agreement, and may include setting unsecured threshold levels, minimum transfer amounts and acceptable collateral. Typically, this entails a preliminary review of the credit risk for the counterparties.

All activities undertaken within our business lines are governed by legal agreements with counterparties. Our Legal Department conducts negotiations, drafting and review of agreements. They enforce the collateral and margin agreements, including initiation of collections and taking legal action where appropriate. CRM are party to the negotiation process and provide approval for any non-standard terms.

The Company seeks to receive liquid, easy to settle and high quality collateral from counterparties. The types of collateral considered include cash, fixed income securities (predominantly government bonds), bank guarantees (letters of credit), equity stocks (highly liquid shares listed on major exchanges) and convertible bonds.

Derivatives

The Company is exposed to credit risk via transactions in OTC derivatives. In addition to the CSA agreements, ISDA master netting agreements are in place for all counterparties domiciled in countries where the netting of positions is legally enforceable. These agreements allow the Company to offset any payable and receivables with the same counterparty and in the event of a counterparty default only the net obligation is considered. The Company's ISDA agreements are governed by either UK or US law depending on the location and preference of the counterparty. Under UK agreements the title of any non-cash collateral received is transferred to the Company allowing re-use. Under US agreements Jefferies LLC act as custodian and the Company rehypothecates any non-cash collateral received for re-use if allowed under the governed agreement. In addition to these agreements the Company manages its risk exposure through diversification and various hedging strategies. These hedging activities include the purchase or sale of underlying financial assets and entering derivative contracts (e.g. futures, swaps and options).

Securities Financing

The Company requires that counterparties with material securities financing exposures are subject to an appropriate master netting agreement. For repurchase agreements a Global Master Repurchase Agreement is required and for stock borrow lending activity a Global Master Securities Lending Agreement is required. The agreements allow the Company to settle all cash obligations to the counterparty on a net basis in the event of a counterparty default, including the liquidation of any collateral held. All securities financing master agreements are governed by UK law which requires the title transfer of any security borrowed or lent under the agreement. This allows the Company to re-use any collateral received through securities financing transaction. The Company monitors the value of collateral received against the liabilities attached to such transactions and appropriate rate reductions ("haircuts") are applied to the loans provided to counterparties based on the quality of collateral received. Daily margining is performed to reduce credit exposure driven by significant fluctuations in the market value of collateral.

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

				Related amounts not set-off in the Statement of Financial Position		
As at 30 November 2016	Gross amounts £000	Netting in Statement of Financial Position £000	Net amounts in Statement of Financial Position £000	Additional amounts available for set-off £000	Available collateral £000	Net amounts £000
Financial assets:						
Financial assets held for trading	3,200,059	(255,987)	2,944,072	(461,367)	(59,031)	2,423,674
Collaterised financing transactions	3,421,491	(1,731,290)	1,690,201	(313,452)	(1,336,241)	40,508
Trade receivables	4,110,650	(1,806,052)	2,304,597	(262,036)	(14,329)	2,028,232
Total	10,732,200	(3,793,329)	6,938,870	(1,036,855)	(1,409,601)	4,492,414
Financial liabilities:						
Financial liabilities held for trading	(3,223,357)	255,987	(2,967,370)	461,367	76,192	(2,429,811)
Collaterised financing transactions	(2,646,919)	1,731,289	(915,630)	313,452	594,859	(7,319)
Trade payables	(3,860,582)	1,806,052	(2,054,530)	262,036	15,576	(1,776,918)
Total	(9,730,858)	3,793,328	(5,937,530)	1,036,855	686,827	(4,214,048)

				Related amounts not set-off in the Statement of Financial Position		
As at 30 November 2015	Gross amounts £000	Netting in Statement of Financial Position £000	Net amounts in Statement of Financial Position £000	Additional amounts available for set-off £000	Available collateral £000	Net amounts £000
Financial assets:						
Financial assets held for trading	3,203,222	(244,968)	2,958,254	(378,788)	(64,124)	2,515,342
Collaterised financing transactions	1,609,650	(736,180)	873,470	(128,748)	(722,072)	22,650
Trade receivables	2,589,789	(1,449,016)	1,140,773	(52,324)	(10,460)	1,077,989
Total	7,402,661	(2,430,164)	4,972,497	(559,860)	(796,656)	3,615,981
Financial liabilities:						
Financial liabilities held for trading	(1,849,374)	244,968	(1,604,406)	378,788	81,230	(1,144,388)
Collaterised financing transactions	(1,772,564)	736,180	(1,036,384)	128,748	903,758	(3,878)
Trade payables	(2,897,456)	1,449,016	(1,448,440)	52,324	2,955	(1,393,161)
Total	(6,519,394)	2,430,164	(4,089,230)	559,860	987,943	(2,541,427)

Past due and impaired exposures

For investment banking fees and certain commissions, payment terms are agreed as part of the client engagement letter. The Company recognises provision for losses where receivables are past their contractual due date (see note 13).

In terms of impaired exposures, the Company assesses at each balance sheet date whether there is 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 the income statement for the year.

The tables below present the company's credit exposure on financial assets after taking account of counterparty netting allowed under IAS 32. This is presented by financial asset class and by credit rating

	As at 30 November 2016				
Financial asset class	AAA to AA £000	A to BBB £000	BB and lower £000	Not rated £000	Total £000
Cash and cash equivalents	132,234	76	-	-	132,310
Financial instruments owned	1,381,113	1,327,279	129,014	106,666	2,944,072
Collaterised financing transactions	1,227,585	462,484	-	132	1,690,201
Trade receivables	1,416,273	742,686	2,918	155,077	2,316,954
	4,157,205	2,532,525	131,932	261,875	7,083,537

	As at 30 November 2015				
Financial asset class	AAA to AA £000	A to BBB £000	BB and lower £000	Not rated £000	Total £000
Cash and cash equivalents	185,929	932	-	20	186,881
Financial instruments owned	1,276,586	1,371,492	104,368	205,808	2,958,254
Collaterised financing transactions	703,497	169,973	-	-	873,470
Trade receivables	805,074	354,778	2,897	51,865	1,214,614
	2,971,086	1,897,175	107,265	257,693	5,233,219

Liquidity Risk
Liquidity Risk is defined as the risk that the Company, although solvent, does not have sufficient financial resources available to meet its cash or funding obligations as they fall due, or can secure such resources only at excessive cost.

The Company's main liquidity risks are wholesale secured funding risk, intraday liquidity risk and off balance sheet liquidity risk. Liquidity risk is managed through the implementation of the Liquidity Risk Management Framework; this sets out the limits supporting the liquidity risk appetite statement; identifies the liquidity risks inherent in the business and funding models; and sets out the tools through which those liquidity risks are measured, managed, monitored and controlled including stress testing, early warning indicators, liquid asset buffer management, and cash and intra-day liquidity usage management. Liquidity risk is assessed as part of the Individual Liquidity Adequacy Assessment ("ILAA") process as approved by the Board.

Stress Testing
The Risk Department performs three liquidity stress tests each day. The stress tests consider idiosyncratic stress, market wide stress and a combined stress scenario. The idiosyncratic stress relates to Company specific events, for example, a ratings downgrade. The market wide scenario refers to exogenous events which not only impacts the Company but also its peer group. The combined scenario considers both idiosyncratic and market wide stress factors. Both single and multi-risk family liquidity stress tests are preformed and reported to the senior management team.

The stress testing methodology is subject to a formal annual review by the Stress Testing Working Group. The Risk department or Treasury will propose changes when considered necessary. The Risk Department documents the stress coefficients utilized and any changes are subject to review and approval by the European Asset and Liability Management Committee ("ALCO").

The Regulatory Controllers are responsible for daily reporting of the Company's minimum regulatory liquidity requirement as prescribed by the FCA's handbook. The Risk Department is responsible for daily reporting of the liquidity stress test results also under the FCA's handbook.

Funding Sources and Financial Liabilities

The Company finances its balance sheet through a combination of in-house capital, secured financing transitions and wholesale unsecured funding from Jefferies LLC, a fellow affiliate company within the Jefferies Group.

The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months £000	Between 3 months and 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 30 November 2016					
Financial liabilities classified as held for trading	2,410,768	21,366	21,320	170,703	343,213
Amounts owed to group undertakings	143,438	55,962	6,390	-	69,860
Securities lent collateral	298,820	-	-	-	-
Securities awaiting settlement	2,054,530	-	-	-	-
Repurchase collateral	597,987	12,202	6,620	-	-
Other creditors	110,489	11,098	605	655	-
Creditors: amounts falling due after more than one year	-	-	11,981	194	359,755
Provision for liabilities	1,478	-	-	-	-
Total - on balance sheet	5,617,510	100,628	46,916	171,552	772,828
Operating leases	1,225	3,588	4,584	5,775	426
Total - on balance sheet	1,225	3,588	4,584	5,775	426
Total financial liabilities	5,618,735	104,216	51,500	177,327	773,254

	Less than 3 months £000	Between 3 months and 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 30 November 2015					
Financial liabilities classified as held for trading	1,127,950	51,900	10,791	109,093	304,673
Amounts owed to group undertakings	171,330	25,778	46,468	44	49,793
Securities lent collateral	238,488	-	-	-	-
Securities awaiting settlement	1,448,440	-	-	-	-
Repurchase collateral	653,147	131,706	1,423	11,621	-
Other creditors	75,936	7,414	-	1,773	-
Creditors: amounts falling due after more than one year	-	-	178	367	298,755
Provision for liabilities	1,243	-	-	-	-
Total - on balance sheet	3,716,534	216,798	58,860	122,898	653,221
Operating leases	1,127	3,384	4,305	7,904	77
Total - on balance sheet	1,127	3,384	4,305	7,904	77
Total financial liabilities	3,717,661	220,182	63,165	130,802	653,298

24. Capital management

Maintaining a strong capital base is a fundamental aspect of the Company's overall risk governance structure. The Company's capital base is maintained well above all minimum capital requirements whether imposed internally or externally. The Capital Management Framework ('CMF') sets out the Company's overall approach to capital management as approved by the Board. The CMF provides a risk appetite statement for capital risk that is supported by a comprehensive set of monitoring metrics, management information, and appropriate oversight to ensure that adequate capital is held against all material capital risks.

Governance

Capital adequacy, including resources and requirements, is monitored and managed daily by the Regulatory Controllers Department. All new business proposals are assessed in terms of impact on the Company's capital resources. The Company's capital management is overseen by various committees reporting up to the Board, including the Operating Committee, and the European ALCO. Management information on capital ratios, solvency ratios, capital utilisation, key risk indicators and trends are reported to these Board committees in order to support the Company's strategic decision making process.

Capital Management and Own Funds

The objectives of the capital management function are to ensure that adequate capital resources are available to support the Company's businesses given the market environment. Capital forecasts are evaluated both short-term (less than three months) as well as medium-term (minimum of three years) with the following objectives:

- to support the Board-approved strategic objectives and business plans; and
- to remain adequately capitalised in order to be able to withstand losses during periods of stressed conditions without material franchise or business impact.

The size and composition of the Company's capital base is determined by a number of factors including the minimum regulatory capital requirements as well as the capital planning methodologies and processes, which include the ICAAP. They may also be impacted by other factors such as rating agency guidelines for the Company, business initiatives and opportunities; cost and availability of short term and long term funding; stress testing analysis (which assesses the potential future losses due to adverse changes in the business and market environment); as well as regulatory changes such as the recent implementation of Basel III.

The Company's regulatory capital includes ordinary share capital, capital contributions, other capital reserves, and subordinated debt. All the Company's ordinary share capital and subordinated debt is held by other Jefferies Group entities. The Company has not issued any other financial instruments that qualify as additional tier 1 instruments under the Basel III / CRDIV framework.

The table below shows the composition and size of the Company's own funds based on the Company's audited financial statements. The Company's Pillar 3 disclosures provide information on the key features of the Tier 1 and Tier 2 capital instruments.

	Year ended 30 November	
	2016	2015
	£000	£000
Total borrowings [Tier 2]	359,756	298,755
Total equity [Tier 1]	493,120	492,358
Total Capital	852,876	791,113
Trading losses	(21,688)	-
Additional value adjustments	(5,912)	(4,576)
Regulatory capital ("Own funds")	825,276	786,537

Application of the Pillar 2 Framework

As part of the capital planning process, the Board ensures that the Company has capital resources in excess of the minimum regulatory capital requirements which are required under stressed conditions. These stress tests inform decisions on the size and quality of capital buffers required to ensure capital adequacy under severe but plausible stressed scenarios. These results are incorporated into the capital planning process.

The minimum regulatory capital requirements for the Company have been agreed with the FCA through the FCA's Supervisory Review and Evaluation Process ('SREP') which sets the Individual Capital Guidance ('ICG'). The level of Pillar 2 capital held by the Company reflects the risks inherent in their business models and products traded as well as the governance, control and risk management infrastructure. The Company's assessment of its Pillar 2 requirements are then reviewed by the FCA and the final ICG levels agreed. The minimum regulatory capital requirement is the sum of the respective Pillar 1 and 2 requirements. The Company's on-going compliance with the internal capital management targets and 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.

The ICAAP assesses:

- Current and future capital adequacy under BAU and stressed operating environments over the capital planning horizon and in line with the stress testing framework; and
- Internal capital adequacy thresholds relating directly to the Board-approved risk appetite and in line with the capital management framework.

Following the application of the Pillar 2 framework, the Company identifies the capital buffers and ratios that it is required to comply with. These buffers set out:

- The minimum Solvency Ratio, CET1 Ratio and Total Capital Ratio. The regulatory Leverage Ratio is also considered; and
- Any capital buffers required to be held, including any amounts to be held in normal trading conditions, above stipulated minimum thresholds to reduce the risk of breach.

The Company maintained compliance with all minimum regulatory and internal thresholds throughout the year.

25. Contingent liabilities

The Company had no material contingent liabilities to report as at 30 November 2016.

26. Capital and other commitments

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	2016 £000	2015 £000
Not later than one year	4,813	4,511
Later than one year and not later than five years	10,359	12,208
Later than five years	426	77
	15,598	16,796

The majority of the Company's operating lease commitments are property leases relating to the Company's office premises.

27. Related parties transactions

There are no transactions with related parties to report outside of the inter-group transactions that are covered by the exemption afforded by FRS 101 from the disclosure requirements of IAS 24 'Related Party Disclosures' (see note 2.1).

28. Controlling parties

The immediate parent undertaking is Jefferies International (Holdings) Limited. Copies of the Jefferies International (Holdings) Limited's financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

Jefferies Group LLC, a company incorporated within the United States of America, is the top company within the Jefferies Group which produces consolidated Jefferies Group financial statements that are available either on request from 520 Madison Avenue, New York, New York 10022, United States of America or from the Investors Relations section on www.jefferies.com. Jefferies Group LLC is the smallest group to consolidate these financial statements.

The ultimate parent undertaking the largest group to consolidate these financial statements is Leucadia National Corporation. 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.

29. Events after the end of the reporting period

On 13 December 2016 a £148.5 million subordinated loan note liability and associated accrued interest liability of £44.7 million was transferred to the Company from its parent company, JIHL, as part of an internal re-organisation to simplify the Company's funding structure. In return for accepting the liabilities the Company was recompensed by a cash payment of £193.2 million from JIHL equal to the full value of the liabilities. The transaction resulted in an increase in the Company's total subordinated loan note liability from £360.0 million (see note 17) to £508.5 million.

Other information

COUNTRY-BY-COUNTRY REPORTING

The Company is required to prepare and publish County-by-Country information under the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The disclosures in respect of the Company will be included within the consolidated disclosures made by the Company's immediate parent, JIHL. These disclosures will be available by 30 June 2017 at www.jefferies.com/Investor Relations/Other Information.