

# **JEFFERIES INTERNATIONAL LIMITED**

## **Annual Report and Financial Statements**

**For the year ended 30 November 2022**



***Company Registration No. 1978621***

# Jefferies International Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

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# Jefferies International Limited

## STRATEGIC REPORT

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The directors present their strategic report on Jefferies International Limited (the “Company”) for the year ended 30 November 2022.

### 1. REVIEW OF THE BUSINESS

The Company is the principal European operating subsidiary of Jefferies Financial Group Inc. (“Jefferies Group”). Jefferies Group is a full-service investment banking firm listed on the New York Stock Exchange.

On 1 November 2022, Jefferies Group LLC merged into Jefferies Financial Group Inc. primarily to streamline the corporate structure and reporting process to the Securities and Exchange Commission in the United States of America. As part of streamlining the corporate structure the Company is now a direct subsidiary of Jefferies Financial Group Inc.

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

#### *Financial Performance*

The Company recorded a profit before taxation of £158,046,645 (2021: £182,381,300).

The Company, building on the momentum generated in the previous two years, has recorded a positive result for the year ended 30 November 2022. All three of the Company’s core businesses: Fixed Income, Equities and Investment Banking; have performed well throughout the financial year. The year ended 30 November 2022 is the Company’s second most profitable year since incorporation, the most profitable being the previous financial year.

The 2022 performance indicators, detailed in the table below, are consistent with the Company’s positive performance in the year. The Company achieved an operating profit margin of 20.9% and return on capital employed of 11 %, marginally down on 2021 which was the Company’s best financial performance on record. The current ratio as at 30 November 2022 was 121.4% evidencing the Company’s strong liquidity and balance sheet position.

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

	Year ended 30 November 2022	Year ended 30 November 2021
	£000	£000
Revenue	784,250	815,857
Profit after taxation	116,576	138,584
Total shareholders’ funds	1,144,949	1,028,108
Operating profit margin	20.9%	24.1%
Return on capital employed	11.0%	14.5%
Current ratio	121.4%	118.4%

The return on capital employed is calculated by dividing the operating profit by total assets less current liabilities. The statutory income statement for the year is set out on page 21.

#### *Future developments and prospects*

The Company’s Board (the “Board”) believes that the Company has the capability, both in terms of staff resources, capital and client base, to continue building on the strong performances in the prior years and the year ended 30 November 2022. The Board continually assesses the individual businesses, market conditions and macroeconomic forecasts in determining the Company’s Strategic Plan. As part of that planning, in January 2023 the Board approved a three-year Strategic Plan which sets out the “road map” to achieving steady growth in several market sectors. In undertaking its strategic planning the Board considers a number of macroeconomic and geopolitical issues, some of which are outlined below.

### Conflict in Ukraine

The Company's Risk Management team continue to both monitor and report to senior management on the Company's risk exposure to the ongoing conflict in Ukraine. The Company's direct exposure to the regions affected by the conflict, in particular Ukraine and Russia, continues to be limited and is not expected to result in material financial loss for the Company. The Company has recognised Expected Credit Losses (ECLs) in relation to specific failed trades involving Russian financial instruments (see note 16).

The Company will continue to closely monitor the ongoing situation and assess the wider implications for international financial markets in order to take the necessary action to mitigate any potential impact on the Company's financial resources. The Company utilises a suite of severe but plausible scenarios to assess potential impacts; these scenarios feed directly into the capital adequacy assessment process.

### Transition away from Interbank Offered Rates ("IBORs")

Central banks and regulators in a number of major jurisdictions (for example, the United States of America ("U.S."), UK, EU, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The UK's Financial Conduct Authority ("FCA"), which regulates the London Interbank Offered Rate ("LIBOR") announced that, after specified dates, LIBOR settings will cease to be provided by any administrator or will no longer be representative of the underlying market and economic reality that such settings are intended to measure.

On 1 January 2022, the publication of all EUR, CHF, JPY and GBP LIBOR (non-USD LIBOR) settings along with certain USD LIBOR settings ceased, and the publication of the most commonly used USD LIBOR settings will cease after 30th June 2023. Jefferies completed the migration of derivative contracts, securities financing transactions and other financial products which referenced non-USD IBOR to alternative risk-free reference rates prior to 31st December 2021. As at 30 November 2022, the Company did not have a material amount, by notional value, of contracts still to transition to alternative risk-free reference rates. The Company does not foresee any significant risks to the transition plan and is on target to complete the migration of the residual USD IBOR contracts before June 2023. Jefferies adhered to the ISDA Fallback Protocol to amend existing derivative transactions as well as other specified documents which reference in-scope IBOR rates to include the updated rates and fallbacks.

### Adoption of the new Investment Firms' Prudential Regime ("IFPR")

From 1 January 2022, the Company has been subject to the IFPR, a new prudential regime for MiFID investment firms. The new prudential regime has been designed to better capture the risks inherent in the business models of investment firms, replacing many rules that were largely designed for credit institutions. The IFPR focuses on prudential requirements and expectations, as part of companies' internal assessment of financial adequacy and wind-down, re-oriented away from risks faced by companies, to concentrate on the potential harm firms can pose to clients and the market. This includes a new methodology for calculating capital requirements, known as the K-factor approach. The minimum regulatory capital requirement for the Company has been agreed through the FCA's Supervisory Review and Evaluation Process which sets the Individual Guidance.

The new prudential regime also imposes new requirements for remuneration and disclosure. The remuneration requirement is for a certain amount of variable remuneration for material risk takers to be paid in non-cash instruments and have a deferral element. Implementation of this requirement was effective from the financial year commencing 1 December 2022, consequently the Company has amended the remuneration structures for those employees identified as material risk takers for the year ending 30 November 2023.

On 27 November 2019, the European Parliament and the Council of the European Union passed into law the EU Investment Firm Regulation and Directive which revises the prudential regime for investment firms. The new directive came into effect in the EU on 26 June 2021. It is binding on any EU incorporated subsidiaries of Jefferies Group and hence applies to Jefferies GmbH.

### Climate change

Climate change may cause extreme weather events that disrupt operations at one or more of Jefferies Group's locations, which may negatively affect the Company's ability to service and interact with clients. Climate change may also have a negative impact on the financial position of

the Company's clients, which could decrease income as well as increase credit risk when dealing with those clients. Additionally, the Company's reputation and client relationships may be damaged as a result of involvement, by the Company or its clients, in certain industries or projects associated with causing or exacerbating climate change. New regulations or guidance relating to climate change, as well as the perspectives of shareholders, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions the Company engages in certain activities or offers certain products.

The Board and the Jefferies Group Board are committed to taking positive action in response to the climate change risks outlined above. The actions taken to date by Jefferies Group are outlined in more detail in section 2 below.

#### COVID-19 pandemic (the "Pandemic")

The Pandemic caused significant disruption in the United Kingdom ("UK") and international economies and financial markets. The on-going effects of the Pandemic remain challenging to predict due to multiple uncertainties, including transmissibility, severity, duration and resurgence of the outbreak; new virus variants and the potential extent of their spread; the application and effectiveness of health and safety measures that are voluntarily adopted by the public or required by governments or public health authorities, including vaccines and treatments; the speed and strength of the economic recovery; and the impact to our employees and our operations, our clients' operations, suppliers and business partners. Impacts to the Company's businesses could be widespread and global, and material impacts may be possible.

The Company, in conjunction with the wider Jefferies Group, is continuing to take necessary and recommended precautions to protect the safety and well-being of our employees and clients. The Pandemic has in the past, and possibly in the future, materially negatively impacted financial markets and materially disrupted banking and other financial activity generally and in areas in which the Company operates. This could negatively impact the Company's future profitability, liquidity and growth strategy.

#### Data Protection Act 2018 ("UK GDPR")

The Data Protection Act 2018 is the UK's implementation of the General Data Protection Regulation (GDPR). The UK GDPR imposes a number of obligations on companies, including, without limitation: accountability and transparency requirements; compliance with the data protection rights of data subjects; and the prompt reporting of certain data breaches to both (1) the relevant data supervisory authority without undue delay unless the personal data breach is unlikely to result in a risk to the data subject's rights and freedoms; and (2) impacted individuals where the personal data breach is likely to result in a high risk with regard to their rights and freedoms.

The UK GDPR is closely aligned to the European Union's ("EU") GDPR which applies in all EU member states. Similarly to the EU's GDPR, a breach under the UK GDPR could result in significant fines for any companies found not to have complied with the legislation.

#### ***Risk Management Process***

Risk is an inherent part of the Company's business and activities. The extent to which risk is properly and effectively managed is critical to the Company's profitability, financial soundness, and long-term viability and helps protect its reputation and franchise, as well as its standing within the market. The Board believes that risks and uncertainties faced by the Company are satisfactorily mitigated through the comprehensive system of controls and senior management oversight that has been implemented throughout the Company.

Risk management is a multifaceted process that requires communication, judgement and knowledge of financial products and markets. The risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including the Risk Management, Operations, Compliance, Legal and Finance Departments. Risk management policies, procedures and methodologies are flexible in nature and are subject to ongoing review and modification.

The Board has developed and implemented a Risk Management Framework (the "Framework") 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 committees. The Company has implemented a "Three Lines of Defence" risk management model which establishes segregation of duties by defining the roles, responsibilities and accountabilities for risk, control

and decision making. The Framework segregates 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.

To achieve the Company's strategic priorities, clients' interests are kept at the top of our priority list, all applicable laws, rules and regulations are followed and the highest ethical standards are applied. Prudent and conservative risk-taking is undertaken that protects the capital base and franchise, utilising risk limits and tolerances that avoid outsized risk-taking. A diversified business strategy is maintained avoiding significant concentrations in any sector, product, geographic region, or activity and setting quantitative concentration limits to manage this risk. The Company's management consider contagion risks, second order effects and correlations in the risk assessment process.

There is a limited appetite for illiquid assets and derivative financial instruments. The quality of assets on the Company's balance sheet is maintained by conducting trading activity in liquid markets and ensuring high turnover of our inventory. Less liquid positions and derivative financial instruments are subjected to more oversight and use a wide variety of specific metrics, limits, and constraints to manage these risks.

Moreover, all new products, businesses or activities which introduce materially distinctive risk characteristics are subject to the Company's New Business Approval process. As part of this process the Risk Management function is engaged to assess the proposed new products, businesses or activities prior to their *Initiation* and execution.

The Company identifies Principal Risks, which are defined as those risks which are foreseeable, continuous and material enough to merit establishing specific control frameworks. The Board approves the determination of the Principal Risks and requires that risk appetite statements are established for each Principal Risk.

The Framework has identified the following Principal Risks:

### Strategic Risk

Strategic risk is defined as the risk resulting from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond appropriately to changes in the regulatory, macroeconomic and competitive environments.

The Board and its committees undertake a comprehensive annual business planning process and closely monitor business performance considering the prevailing and forecasted macroeconomic environment. In addition, the Company's programme of entity-wide stress testing assesses the impact of severe but plausible macroeconomic and financial stress scenarios over the planning horizon on the Company's key financial indicators (including those on capital and liquidity) and those stresses are considered within Management's going concern assessment. The stress testing scenarios include: a long Covid scenario where the emergence of coronavirus variants leads to a prolonged global economic slowdown and supply-chain disruption; a European sovereign debt crisis combined with the longer term trade and economic effects of the exit of the UK from the EU ("Brexit"); a return of high inflation on the back of higher commodity prices and expectations of early policy tightening; a severe corporate credit and banking crisis in the aftermath of the Pandemic crisis. Additional scenarios may be considered throughout the year to cover emerging risks arising. The macroeconomic and financial shocks are combined with idiosyncratic events such as losses to trading positions, counterparty defaults or increase in cost of funding. In addition, the Company undertakes reverse stress testing to assess the circumstances, trigger points and scenarios which could cause the Company's business model to become unviable. It also conducts recovery stress scenarios to assess the Company's crisis management and response arrangements as well as the credibility of actions it can take to restore its financial position at times of financial stress.

These processes are embedded in the new Internal Capital Adequacy and Risk Assessment ("ICARA").

The Company continues to monitor the potential medium to long term impact of Brexit on the Company's businesses.

Other strategic risks are considered, assessed and monitored by the Board, including increased regulation as well as macroeconomic and geopolitical factors such as: global trade protectionism; large-scale selling of US treasuries; rapid asset revaluations and credit market sell-off; emerging market crises; European political instability; and a severe geopolitical conflict.

### Market Risk

Market risk is defined as the risk of loss due to fluctuations in the market value of positions attributable to changes in market variables. There are a number of market risks that could potentially lead to severe price volatility, trading positions becoming illiquid and losses on the Company's financial assets and liabilities.

Trading is principally managed through trading desk mandates, where each trader is provided a specific mandate in line with our product registry. Mandates set out the activities, currencies, countries and products that the desk is permitted to trade. Traders are responsible for knowing their trading mandate and their trading limits and trading in a manner consistent with their mandate. Trader mandates are reviewed annually and as part of the new business proposal process.

The Board monitors market risks through Value at Risk ("VaR") analysis, scenario stress testing and other techniques. The Board evaluates the risk and implements measures to ensure that the risk exposure is maintained at an acceptable level.

The Board's risk mitigation measures include: setting out a clear risk "appetite" for each business which then determines individual trading limits; monitoring concentration of risk exposures and ensuring that trading books are diversified; monitoring the ageing of financial assets; and implementing an Independent Price Verification ("IPV") function to assess trading desk valuation assumptions.

### Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract. Credit risk also includes settlement risk. The Company is exposed to credit risk as a trading counterparty to other broker-dealers and clients, as a holder of securities and as a member of exchanges and clearing organizations. Credit exposure exists across a wide range of products, including cash and cash equivalents, securities finance transactions and over-the-counter ("OTC") derivative contracts.

The Company's main sources of credit risk are:

- securities and margin financing transactions, which reflect our credit exposure arising from reverse repurchase agreements, repurchase agreements and securities lending agreements to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers;
- OTC derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. OTC derivative exposure is based on a contract's fair value, net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures;
- settlement risk arising from Delivery vs. Payment ("DvP") transactions, where the risk is limited to the replacement cost of the trades in the event of a counterparty defaulting, as well as settlement risk arising from free of payment transactions and long-dated settlement cash trades; and
- cash and cash equivalents, which include both interest-bearing and non-interest-bearing deposits at banks.

Credit risk is managed according to the Credit Risk Policy, which sets out the process for identifying counterparty credit risk, establishing counterparty limits, and managing and monitoring credit limits.

Credit is extended to counterparties in a controlled manner and in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed on a counterparty by counterparty basis to limit exposure to loss related to credit risk.

The Board has implemented a system of controls to mitigate the risk of counterparty default, these controls include: all new clients are assessed for credit risk before any transactions take place as well as on an on-going basis through the credit review cycle; transactions are governed by a current legal agreement under an enforceable legal jurisdiction; collateral is obtained from trading counterparties and monitored against position exposures; and credit limits are set. The Board and its committees receive and monitor focused analysis of the Company's credit risk exposure.

### Operational Risk

Operational risk is defined as the risk of financial or non-financial impact, resulting from inadequate or failed internal processes, people and systems or from external events. The Company interprets this as including not only financial loss or gain, but also other negative impacts to the Company's objectives including reputational impact, legal/regulatory impact and impact on clients. The Company is exposed to operational risk across its business and support activities, including revenue-generating activities and support and control groups.

We monitor and assess the significant areas of operational risk, including (but not limited to): failure of key systems to operate effectively; a trader engaging in unauthorised or unapproved financial transactions; trade execution errors; algorithm failures; cybercrime; compromise, misuse or loss of confidential data; natural events causing loss of operational capacity; financial crime including money laundering; failure to adequately implement regulatory changes; and failure of critical outsourcing of service providers.

Each revenue-producing division and support function is responsible for implementing the operational risk management framework; carrying out regular risk self-assessments; timely reporting; and managing their operational risk events and key risk indicators. To provide oversight and challenge, the independent Operational Risk Management function both define, and oversee execution of, the operational risk framework.

The framework is supplemented by a programme of controls assurance against operational risks, as well as ad-hoc risk assessments and risk assessments, triggered by a Board or senior management request, on a specific business line, support area, product, process or system. Key risk indicators, defined across the Company's operations, include measurable thresholds reflecting the risk tolerance of the business.

### Conduct Risk

Conduct risk is defined as risk that detriment is caused to our clients, counterparties, markets or the Company itself because of the inappropriate execution of our business activities. This includes business activities which may cause reputational damage to Jefferies. Conduct risk impacts all areas of the Company. The main sources of conduct risk arise from improper business practice, product flaws, fiduciary and advisory breaches, and improper governance.

The Board believes that setting out the Company's culture and behaviour code is fundamental to managing and mitigating conduct risk. The Board has mandated various policies and procedures to enable the Company's employees to understand and fully comply with the regulatory and ethical standards expected from them. The Board reinforces this message through training as well as regular townhalls, Jefferies' Employee Resource Groups, roundtables, fireside chats, and messages from management.

The Board retains overall responsibility for conduct risk and has defined the Company's Conduct Risk Appetite Statement. The Company's Business Heads have been delegated responsibility by the Board for conduct risk within their business units. Each member of staff is responsible for their own conduct in carrying out their role, and for ensuring such conduct is consistent with the ethical values of respect, honesty and integrity. Such conduct includes acting in compliance with all relevant laws, rules and regulations that impact the role of Company's staff. Employees confirm they understand and adhere to all applicable policies and procedures on a regular basis.

The Company aims to meet the following objectives through its Conduct Risk Framework:

- clear business ownership through senior management accountabilities;
- demonstrable consideration of conduct risk matters when defining the Company's strategy, and embedding consideration of conduct risk matters throughout the execution of such strategy;
- embedding of strong conduct behaviours in line with the Company's vision and values, at all levels of the organisation and through objective setting and performance measures;
- demonstrate a strong and consistent approach to identification, management and mitigation of conduct risk;
- the Conduct Risk Framework fits within, and complements the Company's existing governance, risk management and internal controls, and details clear reporting and escalation routes for conduct risk matters;
- the Conduct Risk Framework is subject to ongoing oversight and review;



- conduct risk management information is produced that helps to evidence identification and management of conduct risks;
- ongoing training for all staff to ensure they understand their responsibilities;
- the Conduct Risk Framework evolves over time to reflect changes to the business, external environment, evolving industry standards and regulatory expectations; and
- conduct risk lessons learnt are identified, considered and shared across the Company.

#### Model Risk

Model risk is defined as the risk of losses resulting from decisions that are based on the output of models, due to errors or weaknesses in the design and development, implementation, or improper use of the models. The Company uses quantitative models across the business primarily to value certain financial assets and liabilities and to monitor and manage risk. Model Risk is a function of the model materiality, frequency of use, complexity and uncertainty around inputs and assumptions used in a given model.

The Company has established a robust Model Risk Management Framework which is based on the timely identification of model risk, adopting measures to mitigate its impact and undertaking ongoing monitoring. The key principles of the Framework are the following:

- The Model Validation team must verify and approve new models and changes to existing models before they are used in a production environment;
- Models must have a model owner assigned. Model owners are responsible for ensuring a sound model lifecycle;
- Processes must be in place to ensure models are only used for the purposes approved;
- Model risk must be assessed at the individual model level and in aggregate;
- A model's effectiveness and performance must be periodically reviewed as part of the ongoing monitoring exercise;
- Model documentation must adhere to the minimum standards set out in the Company's policy and be updated on a regular basis.

#### Liquidity and Funding Risk

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

The Company's main liquidity risks are analysed using the liquidity risk driver framework issued by the FCA with consideration also given to guidelines issued by the Prudential Regulatory Authority ("PRA") and the European Banking Authority ("EBA"). The key liquidity risk drivers are credit rating risk, wholesale secured funding risk, intra-day liquidity risk and off-balance sheet liquidity risk. Liquidity risk is managed through the implementation of the Liquidity Risk Management Framework which 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.

The Board believes that the Company is appropriately funded with the right level of liquidity sources to support the current and forecasted level of business activity. The Company currently has £1,144.9 million of common equity Tier 1 regulatory capital (see note 27) and £786.7 million available additional liquidity from subordinated debt and short-term unsecured debt facilities. The Board continually assesses the capital base with a view to strengthening when required.

The Company's financial risk management process, including the ICARA, is discussed in more detail in note 26.

## 2. MATTERS CONSIDERED WHEN PROMOTING THE SUCCESS OF THE COMPANY

Under section 172(1) of the Companies Act 2006, the directors are required to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its stakeholders as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequence of any decisions in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with clients, suppliers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with all stakeholders of the Company.

The Company heads the European operations of Jefferies Group, whose success is driven by a focus on core values, a clear strategy and efforts to consider stakeholders' interests throughout any decision-making process.

The Company as a wholly owned subsidiary of Jefferies Group is aligned with the purpose, culture, values and strategies of the wider group. The Jefferies Group Board has published a Jefferies Environment, Social and Governance ("ESG") report for 2022, entitled "Building on our Sustainability Strategy", which is available on the Jefferies Group web-site.

ESG and Diversity, Equity and Inclusion ("DEI") considerations are a top priority for the Jefferies Group with a dedicated ESG/DEI Committee reporting directly to the Jefferies Group Board. The Jefferies Group's ESG/DEI activities are purposely aligned with the United Nation's Sustainable Development Goals. The Company is well represented in the discussions and planning in this area with two of its non-executive directors being members of the ESG/DEI committee. In addition, on 19 January 2023, the Board appointed Mahnaz Safa as the Company's DEI Champion.

In this statement the directors, both executive and non-executive, have identified the Company's key stakeholders, their importance to the businesses and the engagement with them throughout the year. The directors consider the key stakeholders of the Company to be: Employee-partners, Clients, Regulators, Suppliers, Community, Environment, and Investors.

### *Stakeholder engagement*

The Company recognises and promotes the importance of respectful business relationships with its stakeholders across all the Company's businesses, and the directors are committed to engaging with them to ensure long-term relationships are maintained and a long lasting contribution is made to the wider community in which the Company operates. The following are examples of the Company's engagement with key stakeholders:

#### Employee-partners

The directors consider the employee-partners to be the greatest asset of the Company. The employee-partners drive the success of the business through high levels of expertise, passion and strong relationships with clients and other external stakeholders. The directors aim to ensure that all employee-partners feel valued and appreciated while working for the Company. There is continuous engagement with the employee-partners through: (1) "townhall" meetings and Q&A sessions with executive management team; (2) annual engagement surveys and review of results and feedback; (3) virtual meetings and regular employee communication through email and intranet; and (4) formal reporting mechanism to raise issues such as fraud, harassment, information security/privacy incidents and safety concerns.

An ongoing area of focus for the directors is the employee-partners' physical and mental wellbeing. The Company complies with all the relevant health and safety laws with the goal of minimising exposure to health risks and maximising safety. Competitive health benefits and additional services such as virtual wellness classes, counselling, guest speaker series and health incentives are available to all employee-partners.

For the past 42 years Jefferies Group has run the Jefferies Family Scholarship scheme which provides funding assistance to children of Jefferies' employee-partners attending their last two years of secondary school or college/university. The scholarships are awarded based on a combination of financial need and academic achievement.

The Company and wider Jefferies Group are committed to promoting a diverse workplace, and approach diversity in the broadest sense recognising that successful businesses embrace diversity

at all levels. The Company's recruitment process has been developed so that more diverse candidates are considered and ultimately employed in roles across the firm.

The Company invests in its employee-partners at every stage of their careers with a comprehensive programme of training courses, mentoring and panel discussions designed to foster a collaborative learning environment. A key component of the training programme is to provide education and guidance to address all forms of discrimination, harassment and abuse so that all our employee-partners work within an inclusive, nurturing and rewarding environment.

Several group-wide and divisional employee resource groups have been set up, with senior management engagement and sponsorship, to promote awareness, tolerance and understanding on all issues around race, gender and sexuality. In the year, the Jefferies Diversity Council was launched to provide a platform for our employee resource groups to discuss best practice and collaborate on group-wide diversity initiatives.

In the year, Jefferies Group ran its second annual group-wide inclusion focused Employee Engagement survey, which enabled staff to provide feedback on an anonymous basis. Results of the survey were shared with the Jefferies Group Board, the ESG/DEI committee and the Company's Board, including progress made on the actions recommended after the 2021 survey. The employee-partners' scores for inclusion and diversity have increased year over year.

#### Clients

Jefferies Group's published maxim is "Clients First – Always". The directors are continually receiving updates from the various heads of businesses on performance and meeting our clients' demands. Business heads provide regular updates on client focus areas which gives the directors insight into clients' issues and concerns. Where possible the executive directors and senior management team attend Company sponsored and industry events at which the views and requirements of clients can be received directly. The Company also pays special attention to industry feedback in terms of how clients' rank the various services provided by our trading and advisory businesses. The competitive landscape and servicing of clients remain a key focus within the directors' future strategy.

#### Regulators

An intrinsic part of the Company's culture is to promote high standards of conduct within each business area and with all external parties. As directors of a regulated financial institution, safety, soundness and adherence to all relevant aspects of regulation is fundamental to the Company's business model. The directors and senior management team maintain awareness of this through engagement with regulators, industry bodies and specialist advisors. This engagement is maintained through frequent meeting with the regulator, regulatory seminars, on-line forums and round table events. The continuous and detailed interaction enables the directors to stay on top of the increasing and constantly evolving regulatory requirements to ensure the Company operates to the standard required.

#### Suppliers

The Company applies a rigorous onboarding process for new suppliers which while primarily focusing on commercial aspects also considers factors such as business integrity, labour and social issues, local laws and regulations and data security. A key aim of the onboarding process is to ensure that the Company's business partners are applying a standard of corporate governance and ESG principles acceptable to the Company and its directors.

The Company has outsourced certain services to third party business partners and has processes in place to ensure that the outsourcing arrangements operate within an acceptable risk appetite and according to the regulatory requirements. The Company has established an Outsourcing Committee and published an Outsourcing Policy to govern this area.

The Company's senior management receive overviews of the Company's relationships with key suppliers, which are discussed in the context of changes to outsourcing regulations and an enhanced focus on operational resilience. Jefferies Group has published a Human Rights Statement, Code of Business Practice and Supplier Code of Conduct which are expected to be adhered to by all suppliers and third-party partners.

### Community

The Company and the wider Jefferies Group both interact and support their local communities in several different ways. The Company's efforts include increasing diversity in its workforce, volunteering initiatives, charitable-giving and operating according to the highest possible business ethics.

The Company has established Employee Engagement Committees ("EEC") which actively encourage and enable employee-partners to volunteer in the local community. Current initiatives include working with a charitable organisation seeking to improve academic and career opportunities for students from minority and low-income backgrounds from the local community.

The Company, as part of the wider Jefferies Group, has a track record of charitable giving. In the financial year, Jefferies Group donated \$18.2 million, through donations from Jefferies Group, its employee-partners and clients, which was distributed to various charities across the world. In 2022, the major focus of the Jefferies Group charitable activities was providing humanitarian aid to the people of Ukraine however there were also numerous other smaller donations to local charities, often nominated by Jefferies' employee-partners, across all countries in which the Group is active.

Jefferies Group has a Code of Business Practice together with an Anti-Bribery and Anti-Corruption Policy which all employees are required to follow and annually attest their on-going compliance. The Code of Business Practice and Anti-Bribery and Anti-Corruption Policy are updated on an annual basis and approved by the Jefferies Group Board. All employees-partners are required to complete an annual Business Ethics Certification to ensure alignment with the Jefferies Group's published values. Jefferies Group has well established "whistleblowing" procedures to enable concerns to be reported confidentially and securely.

### Environment

The directors consider environmental sustainability to be a key driver in the long-term financial success of the Company and the wider Jefferies Group. The directors understand that there are increasing environmental risks that can negatively impact our stakeholders. The directors strive to identify and manage the risks most pertinent to the Company's businesses to *minimise carbon footprints* and act as respectful environment stewards.

The Jefferies Group's sustainability strategy is primarily focused on reducing emissions and, as a near-term mitigation strategy, offsetting them. In 2022, Jefferies Group achieved carbon neutrality in those operations for which energy use data could be obtained (i.e. scope 1 & 2). This goal has been achieved through employing energy efficiency strategies, leveraging renewable electricity and compensating for emissions that could not otherwise be eliminated by purchasing carbon credits. Jefferies Group recognise a collective responsibility to act now, even before technologies exist to enable the world to operate fully with reduced emissions. Until that time, in addition to adopting technologies and practices that enable operating with lower emissions now, Jefferies Group have committed to offsetting by supporting projects and technologies available today that can help avoid carbon emissions in the atmosphere.

Jefferies Group is committed to 100% renewable energy and plans to set emissions reduction targets which will underpin the strategy and ensure that the group's own operations are on course to reduce emissions commensurate with what the scientists and the United Nations's Intergovernmental Panel on Climate Change report is essential to limit warming to around 1.5 centigrade. To achieve these targets, Jefferies Group's focus will continue to be on increasing energy efficiency, pursuing its 100% renewable electricity goal, and supporting the development of new technologies and projects that can help reduce emissions.

### Investors

The Company is a wholly owned subsidiary within the Jefferies Group. Two of the non-executive directors on the Company's Board are also non-executive directors on the Jefferies Group Board and are able to provide insights on the wider group's views. In addition, the Chairman of the Jefferies Group Executive Committee frequently attends meetings with the Company's directors providing continuous and updated views on the wider Jefferies Group and of shareholder expectations.

### Key Decisions

The Company's strategy is focused on the long term, to operate and grow sustainable businesses in segments of the market that are under served by the larger financial institutions. The directors make careful decisions to maintain strategic focus, control costs, invest and ensure appropriate capital and liquidity is held. In all their decision-making, the directors consider both the regulatory context and the interests of the stakeholders listed above. The insights gained from the stakeholder engagement activities outlined above are an essential part of the directors' decision-making process in maintaining the Company's reputation for the highest standard of business conduct and assessing the long term consequences of each decision.

### 3. 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 within the Directors' report.

### 4. GENERAL

The Company currently operates branches in Switzerland, United Arab Emirates ("UAE") and Israel. The Company's branch in Israel will become active in 2023.

The Company has a wholly owned subsidiary in Germany, Jefferies GmbH ("JEG"), which provides trading and advisory services to the Company's clients in the European Economic Area ("EEA") and in the United Kingdom, Leucadia Investment Management Limited ("LIML"), which provides marketing services in the asset management sector.

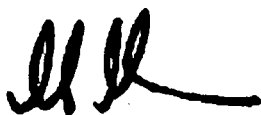
The Company and LIML are authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. The FCA requires a specified minimum level of regulatory capital and liquidity to be maintained by the companies. The Company's branches in Switzerland and the UAE are authorised by the Swiss Financial Markets Supervisory Authority and the Dubai Financial Services Authority respectively. The Company's branch in Israel is unregulated.

JEG is authorised and regulated by BaFIN, the regulator in Germany. JEG currently operates its branch offices in France, Italy, Sweden, the Netherlands, Spain and Poland under the passporting regime of the Markets in Financial Instruments Directive with BaFIN as the home state regulator.

The Company is a member of the following exchanges: London Stock Exchange, ICE Futures Europe, Deutsche Boerse, Euronext Group including Borsa Italiana and the MTS Group, and BATS CHI-X Europe.

Since the end of the Brexit transition period on 31 December 2020, all primary dealing activity in EU sovereign debt markets is undertaken through the Company's German subsidiary, JEG, participating in debt issuances for the governments of Germany, the Netherlands, Portugal and Slovenia.

Approved by the Board and signed on its behalf by:



H M Tucker  
Director

100 Bishopsgate  
London EC2N 4JL

3 March 2023

# Jefferies International Limited

## DIRECTORS' REPORT

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The directors present their annual report and the audited financial statements of the Company for the year ended 30 November 2022. The information in relation to the Company's branches, future developments and risk management process is discussed within the Strategic Report.

### 1. DIVIDENDS

On 19 January 2023, the directors approved an interim dividend of £40.3 million (\$50 million) which was paid to Jefferies Financial Group Inc. on 6 February 2023 (2021: £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 considers both the results in the financial year, forecasts for future periods and stress testing analysis including scenarios around the macroeconomic issues outlined in the Strategic Report. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

The Company's shareholders' funds increased from £1,028.1 million as at 30 November 2021 to £1,144.9 million as at 30 November 2022 due entirely to the profits generated in the year. The Company had cash of £677.9 million as at 30 November 2022 (2021: £586.4 million).

### 3. CORPORATE GOVERNANCE

The Company applies the regulatory requirements as set out by the FCA and the European Banking Authority which aligns with best practice guidance on corporate governance within the financial services sector. In view of this and the Company being an unlisted UK subsidiary, a specific corporate governance code has not been formally adopted. Notwithstanding this, the Company's corporate governance arrangements are in accordance with the framework set out in the Wates Corporate Governance Principles.

#### The Board

The Board comprises one executive director and five independent non-executive directors. The Company has a separate Chairman of the Board, who is an independent non-executive director, and Chief Executive Officer.

The Board meets quarterly, and additionally when required. The Board has adopted a Charter setting out the principles on which the Company's corporate governance is organised and includes, amongst other matters, the following: (i) directors' duties; (ii) the role, responsibilities and operation of the board and its committees; and (iii) matters specifically reserved for Board approval and/or review.

#### Opportunity and Risk

The Board approves the Company's three-year strategic plan, which is produced in conjunction with the global Jefferies Group strategy, and the Company's risk appetite statements. The Board regularly reviews performance against the strategic plan and acts when required to either mitigate risk or capitalise on emerging business opportunities. The Board has an annual strategy meeting, attended by all the Company's business heads to consider the strategic opportunities/plan and risks of each of the main business divisions.

Any changes to the Company's strategy or risk appetite require consideration and approval by the Board to ensure those changes are in the best interests of the Company and the key stakeholders.

#### Committees

The Board is supported in its activities by four Board committees, each of which has a composition of the five independent non-executive directors (except for the Audit Committee where the Board Chairman is not a member), being: (1) Audit Committee; (2) Risk Committee; (3) Remuneration Committee; (4) Nominations Committee; and three management committees being: (1) Risk Management Committee; (2) Conduct Risk Committee; and (3) Operating Committee. The Risk Management Committee and Operating Committee each have sub-committees, including an Asset and Liability Management Committee. Each committee has a Charter detailing, amongst other matters, its memberships, duties and responsibilities. The Committee Charters are reviewed and approved on an annual basis.

***Audit Committee (Board)***

The Audit Committee 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, disclosures and regulatory matters; review the management representations and responses to the external auditor; review and evaluate the external auditor (including their independence and objectivity); review the effectiveness of the internal audit function and consider and approve the audit plan; review the design and operating effectiveness of the Company's key internal controls; and review the Company's procedures in relation to whistleblowing, detection of fraud and prevention of bribery.

***Risk Committee (Board)***

The Risk Committee meets at least quarterly and more frequently if necessary. The Risk Committee is appointed by the Board to: review material changes, and make recommendations to the Board, in relation to each of the capital and liquidity assessments 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, both established and emerging risks.

***Remuneration Committee (Board)***

The Remuneration Committee meets at least three times a year. The Remuneration Committee is appointed by the Board to ensure that the remuneration policies comply with legal and regulatory requirements and relevant industry guidance; review the remuneration structures, policies, practices and incentives taking into account the financial condition and future prospects of the Company together with their risk implications; review the process by which bonus pools have been allocated on an annual basis together with the factors/metrics used to assess individual awards; on an annual basis review, with each European Business Head, the proposed compensation for their respective senior management team, top earners, certain material risk takers, those who have been found to have committed a conduct breach together with those proposed to received positive conduct awards and review the annual gender pay report.

***Nominations Committee (Board)***

The Nominations Committee 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; review succession planning for senior managers and directors, in relation to the latter, taking into account the skills needed on the Board as identified by the annual collective board suitability review process; and supervise the induction process for new directors and the on-going training of all directors.

***Risk Management Committee (Management)***

The Risk Management Committee is chaired by the Chief Risk Officer; the other members comprise the Chief Executive Officer, Chief Financial Officer, Head of Equities, Head of Fixed Income and the Head of Treasury. It meets monthly and also as needed at the request of a member to review any of the items set out within its mandate. The Risk Management Committee is a discussion, advisory and decision-making forum responsible for oversight and management of the following Principal Risks: strategic, liquidity and funding, market, credit and operational. 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 (Management)***

The Conduct Risk Committee is chaired by the Chief Risk Officer; the other members comprise the Chief Executive Officer, Head of Equities, Head of Fixed Income, Head of Investment Banking, Head of Compliance, Head of Human Resources, General Counsel EMEA & Asia and the Jefferies Group General Counsel. Jacob Katz, an independent non-executive director, attends

all the meetings in his capacity as the Company's Conduct Risk Champion. It 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 (Management)***

The Operating Committee is chaired by the Chief Executive Officer, the other members comprise the heads of the key corporate and control functions and the Chief Operating Officers of each of the main business divisions of the Company. It meets on a monthly basis and is the main forum for coordination and communication between the corporate and control functions.

***Asset and Liability Management Committee (Management)***

The Asset and Liability Management Committee, which is chaired by the Head of Treasury, 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 capital and liquidity assessments. The Committee meets on a monthly basis.

***Stakeholder relationships and Engagement***

The engagement activities undertaken by the directors in the year with employees, regulator, suppliers, clients and other key stakeholders and how that impacts its decision-making process are detailed within section 2 of the Strategic Report.

**4. EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 19 January 2023, the Company's Board approved the payment of a £40.3 million (\$50 million) interim dividend to its parent, Jefferies Financial Group Inc. The dividend was paid on 6 February 2023.

**5. DIRECTORS**

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

Joel Maryles	<i>(Non - Executive Chairman)</i>	
Huw Tucker	<i>(Chief Executive Officer)</i>	
Peter Forlenza	<i>(Executive Director)</i>	Resigned 30 November 2022
Linda Adamany	<i>(Non - Executive Director)</i>	
Mahnaz Akbary-Safa	<i>(Non - Executive Director)</i>	
Alan Gibbins	<i>(Non - Executive Director)</i>	Resigned 31 January 2022
Jacob Katz	<i>(Non - Executive Director)</i>	
Nicholas Williams	<i>(Non - Executive Director)</i>	

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 parent company, Jefferies Financial Group Inc.

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.



## 6. GREENHOUSE GAS ("GHG") EMISSIONS AND ENERGY CONSUMPTION

The table below reports on all the Company's sources of GHG emissions and energy usage as required under the The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. The increase in scope 3 emissions from 2021 to 2022 is a reflection of the resumption of business travel following the Pandemic.

	2022	UK and Offshore 2021
Emissions from combustions of gas (Scope 1 – tonnes of carbon dioxide and other GHGs)	236	261
Emissions from electricity purchased for own use, including for the purpose of transport (Scope 2 – tonnes of carbon dioxide and other GHGs)	544	643
Emissions from business travel in airplanes, rental cars or employee owned vehicles where the company is responsible for purchasing the fuel (Scope 3 – tonnes of carbon dioxide and other GHGs)	2,198	146
	<b>2,978</b>	<b>1,050</b>

Energy consumption used to calculate scope 1 and 2 emissions: 4,075,097 Kwh 4,419,982 kwh

Intensity ratios: Emissions (tonnes) per revenue (£m):

Emissions from combustions of gas (Scope 1)	0.3	0.3
Emissions from electricity purchased for own use (Scope 2)	0.7	0.8
Emissions from business travel (Scope 3)	2.8	0.2

The above disclosure details the Company's GHG emissions for the 12 month period from 1 October 2021 to 30 September 2022. The disclosure is for the Company only and does not include the GHG emissions and energy usage of the Company's subsidiaries. However, the Company's subsidiaries generate a negligible amount of GHG emissions and energy usage in the UK and Offshore area.

The Company has followed the 2019 UK Government environmental reporting guidance. Both the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's HG Conversion factors for Company Reporting 2019 to calculate the above disclosures. In 2023, the Company will be fully compliant with the new disclosure requirements stipulated by the UK's Climate-related Disclosure Regulations 2022.

The Company, as part of the Jefferies Group, is committed to achieve net zero carbon, for all Scope 1 and Scope 2 emissions, across all its businesses. In 2022, this goal has been achieved through employing energy efficiency strategies, leveraging renewable electricity and compensating for emissions that could not otherwise be eliminated by purchasing carbon credits.

## 7. EMPLOYER POLICY

The Company aims to keep employees informed of the progress of the businesses within the organisation. 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.

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, abilities and the requirements of the role.

# Jefferies International Limited

## DIRECTORS' REPORT

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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 seeks to support the individual and complies with its obligations to consider and implement reasonable adjustments to the individual's role.

Information on culture, values and conduct of employees has been included in section 2 of the Strategic Report.

### 8. STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITOR

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

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

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

### 9. INDEPENDENT AUDITOR

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

Approved by the Board and signed on its behalf by:



H M Tucker  
Director  
3 March 2023

100 Bishopsgate  
London EC2N 4JL

# Jefferies International Limited

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

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

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Jefferies International Limited:

- give a true and fair view of the state of the Company's affairs as at 30 November 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reportings Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included understanding the capital and liquidity position relative to minimum regulatory requirements under base and stress forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included regulatory solvency requirements.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the Valuation of level 3 financial instruments and our specific procedures performed to address it included understanding the Company's model and price verification controls, and developing an independent valuation estimates using externally sourced inputs and independent valuation models.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

# Jefferies International Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JEFFERIES INTERNATIONAL LIMITED

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- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC and the Financial Conduct Authority.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### Matters on which we are required to report by exception

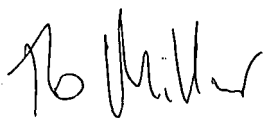
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### Use of our report

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



Tom Millar FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

3 March 2023

## Income statement

		Year ended 30 November	
	Note	2022 £000	2021 £000
Revenue	4	784,250	815,857
Administration expenses	5	(620,271)	(619,620)
<b>Operating profit</b>		<b>163,979</b>	<b>196,237</b>
Income from subsidiary	12	–	229
<b>Profit before interest and taxation</b>		<b>163,979</b>	<b>196,466</b>
Finance income	6	20,440	6,185
Finance expense	7	(26,372)	(20,270)
<b>Profit on ordinary activities before taxation</b>		<b>158,047</b>	<b>182,381</b>
Income tax on ordinary activities	9	(41,471)	(43,797)
<b>Profit for the financial year</b>		<b>116,576</b>	<b>138,584</b>

The profit for the financial year resulted from continuing operations.

The notes on pages 25 to 66 are an integral part of these financial statements.

## Statement of comprehensive income

	Year ended 30 November	
	2022	2021
	£000	£000
<b>Profit for the financial year</b>	116,576	138,584
Other comprehensive income/(expense): items that will not be reclassified to profit or loss		
Currency translation difference on foreign currency net investments	265	(116)
<b>Total comprehensive profit for the financial year</b>	<b>116,841</b>	<b>138,468</b>

The notes on pages 25 to 66 are an integral part of these financial statements.



## Statement of financial position

		As at 30 November	
	Note	2022 £000	2021 £000
Tangible and intangible fixed assets	10	39,432	42,842
Right-of-use assets	11	85,417	88,272
Investments	12	93,837	93,837
Deferred tax asset	13	8,936	11,272
<b>Total non-current assets</b>		<b>227,622</b>	<b>236,223</b>
Financial assets at fair value through profit or loss	14	3,041,355	2,597,653
Trade and other receivables	16	3,433,687	3,998,637
Cash and cash equivalents		677,913	586,422
<b>Total current assets</b>		<b>7,152,955</b>	<b>7,182,712</b>
<b>Total assets</b>		<b>7,380,577</b>	<b>7,418,935</b>
Financial liabilities at fair value through profit or loss	17	(2,219,694)	(1,992,986)
Creditors: amounts falling due within one year	19	(3,662,172)	(4,068,863)
Lease liabilities	21	(9,209)	(6,188)
<b>Total current liabilities</b>		<b>(5,891,075)</b>	<b>(6,068,037)</b>
<b>Net current assets</b>		<b>1,261,880</b>	<b>1,114,675</b>
<b>Total assets less current liabilities</b>		<b>1,489,502</b>	<b>1,350,898</b>
Creditors: amounts falling due after more than one year	20	(238,462)	(216,467)
Lease liabilities	21	(98,460)	(102,271)
Provisions for liabilities	22	(7,631)	(4,052)
<b>Total non-current liabilities</b>		<b>(344,553)</b>	<b>(322,790)</b>
<b>Total liabilities</b>		<b>(6,235,628)</b>	<b>(6,390,827)</b>
<b>Net assets</b>		<b>1,144,949</b>	<b>1,028,108</b>
<b>Equity</b>			
Ordinary shares	25	573,843	573,843
Share premium		61,620	61,620
Capital contribution		99,429	99,429
Foreign exchange translation		3,008	2,743
Retained earnings		407,049	290,473
<b>Total shareholders' funds</b>		<b>1,144,949</b>	<b>1,028,108</b>

The notes on pages 25 to 66 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 3 March 2023 and were signed on its behalf by:



H M Tucker  
Director

Company registration No.: 1978621

## Statement of changes in equity

	Ordinary shares	Share premium	Capital contribution reserve	Foreign exchange translation	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
<b>Balance as at 1 December 2021</b>	<b>573,843</b>	<b>61,620</b>	<b>99,429</b>	<b>2,743</b>	<b>290,473</b>	<b>1,028,108</b>
Profit for the financial year	–	–	–	–	116,576	116,576
Foreign currency translation differences	–	–	–	265	–	265
Total comprehensive income for the year	–	–	–	265	116,576	116,841
Credit related to equity-settled share-based payments	–	–	416	–	–	416
Charge from parent for equity-settled share-based payment	–	–	(416)	–	–	(416)
Total transactions with owners, recognised directly in equity	–	–	–	–	–	–
<b>Balance as at 30 November 2022</b>	<b>573,843</b>	<b>61,620</b>	<b>99,429</b>	<b>3,008</b>	<b>407,049</b>	<b>1,144,949</b>
<b>Balance as at 1 December 2020</b>	<b>537,182</b>	<b>61,620</b>	<b>99,429</b>	<b>2,859</b>	<b>151,889</b>	<b>852,979</b>
Profit for the financial year	–	–	–	–	138,584	138,584
Foreign currency translation differences	–	–	–	(116)	–	(116)
Total comprehensive income for the year	–	–	–	(116)	138,584	138,468
Credit related to equity-settled share-based payments	–	–	182	–	–	182
Charge from parent for equity-settled share-based payment	–	–	(182)	–	–	(182)
Proceeds from shares issued	36,661	–	–	–	–	36,661
Total transactions with owners, recognised directly in equity	36,661	–	–	–	–	36,661
<b>Balance as at 30 November 2021</b>	<b>573,843</b>	<b>61,620</b>	<b>99,429</b>	<b>2,743</b>	<b>290,473</b>	<b>1,028,108</b>

The notes on pages 25 to 66 are an integral part of these financial statements.

## Notes to the financial statements

### 1. General information

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

The Company is the principal European operating subsidiary of Jefferies Financial Group Inc. ("Jefferies Group") a company incorporated in the United States of America. Jefferies Group is a full-service investment banking firm listed on the New York Stock Exchange.

The Company is a private company, limited by shares, and is incorporated and domiciled in England, UK, with branches currently operating in Switzerland and the United Arab Emirates. The Company has established a branch in Israel which will become active in 2023. The Company has several subsidiaries including JEG and LIML. All the Company's subsidiaries, other than those specifically mentioned above, are UK companies and dormant. The Company's registered office is 100 Bishopsgate, London EC2N 4JL.

### 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. There were no new accounting standards adopted by the Company in the year.

In the year, the Company changed its accounting treatment for secondary trading activity related to the purchase and sales of corporate loans. The Company will now recognise purchases and sales of corporate loans, acquired on the secondary market, on settlement date rather than trade date.

#### 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 note 2.7) and in accordance with applicable accounting standards and company law in the UK.

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 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- paragraph 17 of IAS 24, 'Related Party Disclosures' (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'; and
- 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;
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.

**2.2 Transition away from Interbank Offered Rates (“IBORs”)**

Central banks and regulators in a number of major jurisdictions (for example, the United States of America (“U.S.”), UK, EU, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The UK’s Financial Conduct Authority (“FCA”), which regulates the London Interbank Offered Rate (“LIBOR”) announced that, after specified dates, LIBOR settings will cease to be provided by any administrator or will no longer be representative of the underlying market and economic reality that such settings are intended to measure.

On 1 January 2022, the publication of all EUR, CHF, JPY and GBP LIBOR (non-USD LIBOR) settings along with certain USD LIBOR settings ceased, and the publication of the most commonly used USD LIBOR settings will cease after 30th June 2023. Jefferies completed the migration of derivative contracts, securities financing transactions and other financial products which referenced non-USD IBOR to alternative risk-free reference rates prior to 31st December 2021. As at 30 November 2022, the Company did not have a material amount, by notional value, of contracts still to transition to alternative risk-free reference rates. The Company does not foresee any significant risks to the transition plan and is on target to complete the migration of the residual USD IBOR contracts before June 2023. Jefferies adhered to the ISDA Fallback Protocol to amend existing derivative transactions as well as other specified documents which reference in-scope IBOR rates to include the updated rates and fallbacks.

**2.3 Going concern**

The Company’s shareholders’ funds increased from £1,028.1 million in 2021 to £1,144.9 million in 2022 due entirely to the profits generated. The Company had cash of £677.9 million as at 30 November 2022 (2021: £586.4 million).

The risks and uncertainties facing the Company are discussed in the Strategic Report and in note 26. 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.

**2.4 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 Financial Group Inc. which is a company registered in the United States of America (see note 30).

**2.5 Cash at bank and in hand**

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

**2.6 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, 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 execution, provision of research and other activities and are recognised when the performance obligations contained within the contract are satisfied by transferring the promised goods or services to the customer. Performance obligations can be satisfied over time or at point in time dependent on the nature of the good or service being transferred to the customer.
- **Investment banking fees:** advisory and underwriting fees are recognised when the performance obligations contained within the contract are satisfied by transferring the promised goods or services to the customer. Performance obligations can be satisfied over time or at point in time dependent on the nature of the good or service being transferred to the customer.
- **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. Interest receivable and payable is accounted for in the income statement using the effective interest method.

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

## 2.7 Financial instruments

### Recognition and de-recognition

All non-derivative financial instruments purchased and sold are recognised and de-recognised on a “settlement-date” basis which is triggered by the contractual settlement date to transfer the asset to the buyer.

In the year, the Company changed its accounting treatment for secondary trading activity related to the purchases and sales of corporate loans. The Company will now recognise purchases and sales of corporate loans acquired in the secondary market, on settlement date. Prior to the change, the Company recognised purchases and sales of corporate loans on trade date.

All other financial assets and financial liabilities are recognised on “trade-date” when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows expire or if the Company transfers the assets and the transfer qualifies for de-recognition. A financial asset qualifies for de-recognition if the Company transfers substantially all the risks and rewards of ownership of the financial assets and does not retain control. Financial liabilities are de-recognised only when they are extinguished.

### Classification and measurement: Financial Assets

The Company classifies and measures financial assets at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL) based on both the Company’s business models and the contractual cash flow characteristics of the financial assets. The business models reflect how the Company manages particular groups of assets in order to generate future cash flows. Where the Company’s business model is to hold onto the assets to collect contractual cash flows, the Company assesses whether those cash flows represent solely payments of principal and interest (SPPI).

- **Financial assets measured at amortised cost.**

Financial assets held within a business model whose objective is to hold financial assets in order to collect (Hold to Collect) contractual cash flows and whose cashflows represent SPPI are measured at amortised cost, unless designated at FVPL due to accounting mismatch. The Company considers whether cash flows represent basic lending arrangements and where contractual terms consistent with a return being earned that compensates principally for the time value of money and credit risk. Financial assets measured at amortised cost are initially recorded at fair value plus transaction costs and subsequently at amortised cost using the effective interest method.

Financial assets measured by the Company at amortised cost include:

- Cash at bank and in hand;
- Trade and other receivables; and
- Secured financing receivables.

Financial assets in the Hold to Collect business model, with cashflows not consistent with a basic lending arrangement, are measured at FVPL.

- **Financial assets measured at FVOCI**

Financial assets within a business model whose objective is achieved by both collecting contractual cashflows and selling the asset and whose cashflows are SPPI compliant are measured at FVOCI, meaning that the financial asset is measured at its fair value with any movement being recognised in Other Comprehensive Income (OCI). If SPPI is not met then the financial asset is measured at FVPL.

- **Financial assets mandatorily measured at FVPL**

Financial assets that are not held for the collection of contractual cash flows and/or do not have cash flows that represent solely payments of principal and interest are mandatorily measured at FVPL. Such financial assets are subsequently measured at fair value with gains or losses recognised in net gains on financial instruments measured at fair value.

Financial assets mandatorily measured by the Company at fair value include:

- Financial instruments owned, which include cash instruments and derivative instruments.

Classification and measurement: Financial Liabilities

The Company classifies and measures its financial liabilities into the below categories. The classification, which is determined at initial recognition, depends on the purpose for which the liabilities were acquired or originated.

- **Financial liabilities classified as held for trading**

Financial liabilities held for trading are initially measured at fair value and subsequently at FVPL, with gains or losses recognised in net gains on financial instruments measured at fair value.

Financial liabilities held for trading include:

- financial instruments sold, but not yet purchased, which consist of cash instruments and derivative instruments.

- **Financial liabilities designated as FVPL under the Fair Value Option (FVO)**

Financial liabilities can be irrevocably designated on initial recognition as measured at FVPL if the following conditions are met:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or from recognising the gains and losses on them, using different bases (i.e. accounting mismatches); or
- a group of financial liabilities is managed and its performance evaluated on a fair value basis.

Additionally, if a contract contains one or more embedded derivatives then generally the entire hybrid contract can be designed as at FVO.

- **Financial liabilities measured at amortised cost**

Financial liabilities not held for trading and not designated as FVPL under the FVO are measured at amortised cost. On initial recognition, they are measured at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities measured by the Company at amortised cost include:

- Trade creditors;
- Secured financing payables; and
- Long-term subordinated loans from group undertakings.

## 2.8 **Impairment of financial assets**

In accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), the Company assesses, on a forward-looking basis, the Expected Credit Losses ("ECL") associated with financial assets measured at amortised cost. The measurement of ECL should reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECLs are recorded in impairment on financial assets within the income statement.

The Company's impairment model is based on changes in credit quality since initial recognition of the financial assets measured at amortised cost and incorporates the following three stages:

- **Stage 1.** Financial assets measured at amortised cost that are not credit-impaired on initial recognition and there has been no significant increase in credit risk since initial recognition.

Any ECL would be measured at an amount equal to the expected credit losses that result from default events possible within the next twelve months.

- **Stage 2.** Financial assets measured at amortised cost where there has been a significant increase in credit risk since initial recognition, however not yet deemed to be credit impaired. Any ECL would be measured based on expected credit losses on a lifetime basis.
- **Stage 3.** Financial assets measured at amortised cost that are credit-impaired. The ECL would be measured based on expected credit losses on a lifetime basis.

Determination of the relevant staging for each financial instrument is dependent on the definition of ‘significant increase in credit risk’ (“SICR”) (stage 1 to stage 2) and the definition of ‘credit-impaired’ (stage 2 to stage 3). In assessing whether a financial instrument has experienced a significant increase in credit risk, the Company can consider certain quantitative or qualitative conditions. Quantitative thresholds and conditions would include probability of default, exposure at default and loss given default. Qualitative review is also performed as part of the Company’s credit risk management process, including back-stop consideration of 30 days past due, which is considered a stage 2 SICR indicator within the Company’s credit risk monitoring framework.

The Company defines a “low credit risk” asset to be a financial asset due from a counterparty with a good credit risk standing and within an asset class in which the Company has not suffered material credit losses in the past. A counterparty with an external or internal investment grade rating (BBB- and above) would be on a good credit risk standing. Management has put controls in place to monitor whether financial assets continue to meet the low credit risk definition, and if not, assess any implications for IFRS 9 staging requirements.

The Company considers a financial instrument to be credit impaired when it meets the Company’s definition of default, which is either when the Company considers that the obligor is unlikely to settle its contractual obligations in full, or the obligor has defaulted on a payment and/or is past due more than 90 days. These three conditions are utilised in the identification of credit-impaired assets which would trigger a transfer to stage 3. The 90 days past due criteria is rebuttable dependent on market convention on settlement of the financial assets in question. The definitions of default have been selected to be consistent with Jefferies Group policies, accounting guidance and market convention.

The Company applies the Simplified Approach, as provided by IFRS 9, to investment banking and certain other accounts receivables whereby a provision matrix is utilised to calculate the ECLs to be recognised. The provision matrix is formulated by using the Company’s historic credit loss rate for each specific financial asset class. There is no “forward-looking” factor incorporated into the provision matrix as all the receivables have short-dated settlement periods which render this aspect immaterial.

The Company applied the provision matrix detailed below for the year ended 30 November 2022.

	0 to 30 days past due	31 to 90 days past due	91 to 180 days past due	181 to 360 days past due	More than 361 days past due
% applied to estimate ECLs	0.0%	0.6%	2.0%	7.7%	100.0%

As the Company’s historical credit loss rate does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on “past due” status is not further distinguished between the different customer segments. The Company periodically reviews the credit loss rate to ensure that the provision matrix utilised is appropriate.

The Company writes off financial assets, in whole or in part, when it has concluded that there is no reasonable expectation of recovery. This conclusion is based on time elapsed, counterparty’s ability or willingness to settle and management’s judgement. When a financial asset is deemed to be uncollectible, the Company concludes this to be an indicator that there is no reasonable expectation of recovery. There is a rebuttable assumption that a financial asset is uncollectible after it is more than 360 days past due. The Company still seeks to recover amounts it is legally owed in full, but which have been wholly or partially written off due to no reasonable expectation of full recovery.

**2.9 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.

**2.10 Financing transactions: repurchasing, borrowing and lending of securities**

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 transferred.

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 2.9 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 statement of financial position respectively, unless the risk and rewards of ownership are received or transferred.

The Company receives or pledges collateral in the form of cash or other securities for securities borrowed or 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 securities 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.

**2.11 Tangible fixed assets**

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 or ten years, whichever is shorter.
- 2: Fixtures, fittings and equipment – three to ten years.

The tangible fixed assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down



immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

## 2.12 Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

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

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which varies from three to seven years.

## 2.13 Leases

The Company's accounting policies on leases are outlined below. As at 30 November 2022, the Company was only party to lease agreements as a lessee.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of assets with a total value under \$10,000. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

Lease liabilities are presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset then those costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right-of-use assets are presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Tangible Fixed Assets' policy (note 2.11).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "Administration expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company applies this practical expedient to all leases apart from those on IT property and IT equipment assets.

#### 2.14 **Investments and shares in subsidiary undertakings**

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

#### 2.15 **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised 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 recognised 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 substantively enacted by the balance sheet date and are expected to apply when related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it 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 the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company accounts for uncertain tax positions in accordance with IFRIC 23 *Uncertainty over Income Tax Treatments*. In particular, if a tax authority is unlikely to accept a proposed tax treatment then the Company will reflect that uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

#### 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 Provisions for liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation.

**2.18 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.

**2.19 Share-based payments**

The share awards programme allows employees of the Company to acquire shares in the parent company, Jefferies Financial Group Inc. As this scheme awards equity of the ultimate parent company the 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.

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 the 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 fellow group subsidiary, Jefferies International Finance Corporation. 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 separated from the cash 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, as a result no segmental information has been included in this report.

**3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. There are no critical accounting judgements that were made in preparation of these financial statements.

**Key source of estimation uncertainty**

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 assumptions that are based on market conditions existing at the end of each reporting period. The valuation techniques apply those selected assumptions to determine the fair value of the financial assets at each reporting date. The carrying value of the Company's financial instruments held at fair value and methodologies utilised are detailed in note 18.

4. Revenue

	2022 £000	2021 £000
Principal transactions	348,578	247,675
Commissions on trading activities	97,264	91,150
Investment banking fees	276,858	356,042
Research commissions	21,579	20,937
Service fees received from Jefferies Group entities	66,919	113,779
Other fee income	9,005	5,607
Total non-interest revenue	820,203	835,190
Trading interest income	105,569	117,659
Trading interest expense	(141,522)	(136,992)
Net trading interest expense	(35,953)	(19,333)
<b>Total revenue</b>	<b>784,250</b>	<b>815,857</b>

*IFRS 15: Revenue from Contracts with Customers*

Revenue from contracts with customers is recognised when, or as, the Company satisfies its performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognised by measuring progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point of time is recognised at the point in time it is determined that the customer obtains control over the promised good or service. The amount of revenue recognised reflects the consideration the Company expects to be entitled to in exchange for those promised goods or services. The timing of the Company's revenue recognition may differ from the timing of payment by our customers. The Company records a receivable when revenue is recognised prior to payment and there is an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, deferred revenue is recorded until the performance obligations are satisfied.

The Company had receivables related to revenues from contracts with customers of £25.8 million and £38.5 million as at 30 November 2022 and 30 November 2021 respectively. The Company had no significant impairment related to these receivables during the year ended 30 November 2022.

The Company's deferred revenue relates to investment banking advisory fees where the performance obligation has not yet been satisfied. Deferred revenue at 30 November 2022 and 30 November 2021 was £1.3 million and £2.8 million respectively, which is recorded in accrued expenses within creditors on the statement of financial position (see note 19). During the year ended 30 November 2022, the Company recognised £2.3 million in revenue that was recorded as deferred revenue at the beginning of the year.

The Company capitalises costs to fulfil contracts associated with banking advisory engagements where the revenue is recognised at a point in time and the costs are determined to be recoverable. Capitalised costs to fulfill a contract are recognised at the point in time that the related revenue is recognised. The Company's capitalised costs to fulfill contracts was £0.5 million and £0.1 million at 30 November 2022 and 30 November 2021 respectively which were recorded in investment banking receivables within trade receivables on the statement of financial position (see note 16). There were no significant impairment charges recognised in relation to these capitalised costs during the year ended 30 November 2022.

5. Administration expenses

	2022	2021
	£000	£000
Direct costs of employment	373,388	438,530
Brokerage and clearing	69,555	54,271
Technology and communication	56,352	43,806
Occupancy and equipment	11,891	10,197
Depreciation of tangible and intangible assets	8,599	7,882
Business development	19,882	12,707
Professional fees	35,589	33,927
Other direct costs	45,015	18,300
<b>Total administration costs</b>	<b>620,271</b>	<b>619,620</b>
	2022	2021
	£000	£000

**Direct costs of employment:**

Wages and salaries	304,645	375,393
Social security costs	53,886	48,450
Other pension costs	10,608	9,714
Share-based payments	416	182
Redundancy costs	2,183	1,345
Other staff costs	1,650	3,446
<b>Direct staff costs</b>	<b>373,388</b>	<b>438,530</b>

	2022	2021
	£000	£000
<b>Fee payable to the Company's auditor and their associates which are included in professional fees:</b>		
Audit of the Company's financial statements	910	852
Other assurance services	220	245
Taxation advisory services	–	20
	<b>1,130</b>	<b>1,117</b>

6. Finance income

	2022	2021
	£000	£000
Bank interest income	173	–
Interest income receivable from group undertakings	19,973	6,167
Other interest income	294	18
<b>Total finance income</b>	<b>20,440</b>	<b>6,185</b>

7. **Finance expense**

	2022 £000	2021 £000
Bank borrowings	—	40
Intercompany interest payable	23,082	17,333
Interest on lease liabilities	3,182	3,281
Other interest payable	108	(384)
<b>Total finance expense</b>	<b>26,372</b>	<b>20,270</b>

In 2021, an interest accrual recognised in relation to a taxation matter in a prior year, had been partially reversed. The accrual reversal has resulted in an overall credit balance on the "Other interest expense" line in the above table.

8. **Employees and directors**

**Employees**

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

By activity	2022 No.	2021 No.
Front office	754	609
Administration	330	300
	<b>1,084</b>	<b>909</b>

**Directors:**

The directors' remuneration was as follows:

	2022 £000	2021 £000
Aggregate remuneration	1,083	1,175
<b>Total remuneration</b>	<b>1,083</b>	<b>1,175</b>

Of the directors who served during the year, one of the executive directors was a member of the defined contribution plan, operated for all eligible employees of the Company (2021 – one director).

**Highest paid director**

The highest paid director's remuneration was as follows:

	2022 £000	2021 £000
Total remuneration of highest paid director	663	742
<b>Total remuneration of highest paid director</b>	<b>663</b>	<b>742</b>

9. **Income tax**

Tax expense included in profit or loss:

	2022 £000	2021 £000
Current tax:		
UK Corporation tax on profits for the year	40,350	46,666
Adjustment in respect of prior years	500	1,116
Overseas tax	331	1,220
Adjustment to foreign corporation tax in respect of prior years	(77)	–
Uncertain taxation position	(1,970)	(2,256)
<b>Total current tax</b>	<b>39,134</b>	<b>46,746</b>
Deferred tax:		
Origination and reversal of temporary differences	1,265	1,614
Impact of change in tax rate	1,480	(3,924)
Adjustment to UK corporation tax in respect of prior years	(408)	(639)
<b>Total deferred tax</b>	<b>2,337</b>	<b>(2,949)</b>
<b>Tax on profit on ordinary activities</b>	<b>41,471</b>	<b>43,797</b>

The tax expense for the year is lower (2021: lower) than the standard rate of corporation tax for banking companies, in the United Kingdom for the year ended 30 November 2022, of 27% (2021: 27%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before taxation	158,047	182,381
Tax thereon at the standard rate of corporation tax for banking companies in the United Kingdom of 27% (2021: 27%)	42,673	49,243
Disallowed expenses	318	470
Non-deductible interest	478	383
Depreciation on non-qualifying items	472	468
Effect of overseas tax rates	69	958
Effect of rate changes	1,480	(3,924)
Effect of banking surcharge allowance	(2,000)	(2,000)
Adjustments in respect of prior years	15	477
Uncertain tax position recognised	(1,970)	(2,256)
Other	(64)	(22)
<b>Tax on profit on ordinary activities</b>	<b>41,471</b>	<b>43,797</b>

The UK Statutory rate (excluding banking surcharge) is 19% for the year. Finance (No.2) Act 2015 introduced an 8% corporation tax surcharge on the profits of banking companies, so far as profits exceeded the surcharge allowance of £25 million, applying to profits with effect from 1 January 2016, which impacts the current tax charge in the period.

Finance Act 2021 set the tax rate at 25% (excluding banking surcharge) from 1 April 2023. This change has already been reflected in the deferred tax assets in these and the prior year financial statements (see note 13). The Finance Act 2022 amended the corporation tax surcharge rate to 3%



from 1 April 2023, applicable on profits of banking companies, so far as profits exceed £100 million.

The movement in the uncertain taxation position of (£2m) relates to a tax provision recorded concerning uncertain tax treatment of a longstanding dispute with the Italian Tax Authorities on taxable income arising from the trading activities of the Company's former branch in Milan.

**10. Tangible and intangible fixed assets**

	2022 £000	2021 £000
Property, plant and equipment	39,118	42,025
Intangible fixed assets	314	817
<b>Total property, plant, equipment and intangible fixed assets</b>	<b>39,432</b>	<b>42,842</b>

**Property, plant and equipment**

	Leasehold Improvements £000	Fixtures, Fittings & Equipment £000	Assets Under Construction £000	Total £000
<b>Cost</b>				
At 1 December 2020	29,709	26,091	1,546	57,346
Additions	697	2,981	975	4,653
Transfer	–	906	(906)	–
Disposals	(470)	(2,432)	(33)	(2,935)
At 30 November 2021	29,936	27,546	1,582	59,064
Additions	1,819	1,995	1,481	5,295
Transfer	–	939	(939)	–
Disposals	–	(1,058)	(9)	(1,067)
At 30 November 2022	31,755	29,422	2,115	63,292
<b>Accumulated depreciation</b>				
At 1 December 2020	3,435	8,804	–	12,239
Charge for the year	2,987	4,252	–	7,239
Disposals	(193)	(2,246)	–	(2,439)
At 30 November 2021	6,229	10,810	–	17,039
Charge for the year	3,200	4,993	–	8,193
Disposals	–	(1,058)	–	(1,058)
At 30 November 2022	9,429	14,745	–	24,174
<b>Carrying amount:</b>				
<b>At 30 November 2022</b>	<b>22,326</b>	<b>14,677</b>	<b>2,115</b>	<b>39,118</b>
<b>At 30 November 2021</b>	<b>23,707</b>	<b>16,736</b>	<b>1,582</b>	<b>42,025</b>

The amounts in assets under construction relate primarily to the build out of office space and development of information technology assets.

In the year ending 30 November 2022, the disposals primarily relate to obsolete IT equipment. In the prior year, disposals related to leasehold improvement and other assets which were located in the Milan office that were transferred to JEG on 1 December 2020.

**Jefferies International Limited**  
**Year ended 30 November 2022**

**Intangible fixed assets**

	Capitalised Software £000	Assets Under Construction £000	Total £000
<b>Cost</b>			
At 1 December 2020	5,048	–	5,048
Additions	14	307	321
Disposals	(15)	–	(15)
At 30 November 2021	5,047	307	5,354
Additions	–	–	–
Disposals	0	(96)	(96)
At 30 November 2022	5,047	211	5,258
<b>Accumulated amortisation</b>			
At 1 December 2020	3,870	–	3,870
Charge for the year	669	–	669
Disposals	(2)	–	(2)
At 30 November 2021	4,537	–	4,537
Charge for the year	407	–	407
At 30 November 2022	4,944	–	4,944
<b>Carrying amount:</b>			
<b>At 30 November 2022</b>	<b>103</b>	<b>211</b>	<b>314</b>
<b>At 30 November 2021</b>	<b>510</b>	<b>307</b>	<b>817</b>

Intangible assets consist of software assets developed or purchased to address specific requirement of the Company rather than the Jefferies wider group.

11. Right-of-use assets

	Property £000	Equipment £000	Total £000
<b>Cost</b>			
At 1 December 2020	99,097	66	99,163
Additions	96	–	96
Disposals	(212)	–	(212)
At 30 November 2021	98,981	66	99,047
Additions	2,893	–	2,893
Adjustments	(335)	(66)	(401)
At 30 November 2022	101,539	–	101,539
<b>Accumulated depreciation</b>			
At 1 December 2020	5,506	23	5,529
Charge for the year	5,278	23	5,301
Disposals	(55)	–	(55)
At 30 November 2021	10,729	46	10,775
Charge for the year	5,728	20	5,748
Adjustments	(335)	(66)	(401)
At 30 November 2022	16,122	–	16,122
<b>Carrying amount:</b>			
<b>At 30 November 2022</b>	<b>85,417</b>	<b>–</b>	<b>85,417</b>
<b>At 1 December 2021</b>	<b>88,252</b>	<b>20</b>	<b>88,272</b>

The Company leases several assets including buildings and office equipment. The Company primarily enters into lease agreements to secure office space in the locations in which it operates. On 31 January 2022, the Company signed a new lease on a property in Hanover Square, London providing a base for the Company's Investment Banking team to meet clients located in that area of London.

The weighted average remaining term for leases on buildings is 16.2 years (2021: 17.5 years). The weighted average discount rate utilised for leases on buildings was 2.95% (2021: 2.96%). The Company did not have any equipment leases or sub-lease agreements in place at the balance sheet date.

The total cash outflow on leases amounted to £7.99 million (2021: £3.32 million).

Amounts recognised in profit or loss

	2022 £000	2021 £000
Depreciation expense on right-of-use assets	5,748	5,301
Interest expense on lease liabilities	3,185	3,281
Expense relating to variable lease payments not included in the measurement of the lease liability	2,588	1,538
	<b>11,521</b>	<b>10,120</b>

The expense recognised in profit or loss, in relation to short term leases and leases of low value assets, was not material to the Company in the year ended 30 November 2022.

## 12. Investments

The table below presents the subsidiaries over which the Company exercised control as of 30 November 2022.

Name of Company	Country of incorporation	Ownership proportion	Value of investment	
			2022 £000	2021 £000
Jefferies GmbH	Germany	100%	89,208	89,208
Leucadia Investment Management Limited	UK	100%	4,629	4,629
			<b>93,837</b>	<b>93,837</b>

In addition to the subsidiaries listed in the table above, the Company is also the parent of the dormant companies listed below. The Company's investments in these subsidiaries is negligible.

Name of Company	Country of incorporation	Ownership proportion
Jefferies International (Nominees) Client Account Limited	UK	100%
Jefferies International (Nominees) Limited	UK	100%
Jefferies Securities Limited	UK	100%
Leucadia Limited	UK	100%
Leucadia Asset Management Limited	UK	100%

The address of the registered offices for all the Company's subsidiaries, listed above, is 100 Bishopsgate, London EC2N 4JL.

The Company did not receive any income from its subsidiaries in the year. In the prior year, £0.2 million was received as part of the liquidation of a former subsidiary, Longacre Partners Limited.

### Unconsolidated structured entities

The Company operates a European Collateralised Loan Obligation ("CLO") business. As a result, the Company has interests in structured entities that it does not control (i.e. unconsolidated structured entities) at the reporting date. These interests are holdings of senior and subordinated debt issued by the structured entities. The structured entities issue the debt securities to finance the purchase of financial assets. The assets acquired by the structure entities collateralise the debt securities issued.

Once the structured entities have purchased a suitably sized portfolio of financial assets then new tranch debt securities (i.e. CLO securities) are issued to third party investors and the financing debt securities are redeemed. The Company's involvement in the structured entities is to provide financing for the asset purchases as well as acting as Arranger and Placement Agent in relation to the CLO securities.

The table below presents a summary of the unconsolidated structured entities in which the Company held interests in at 30 November 2022.

	2022 £000	2021 £000
Assets in structured entities	154,792	1,246,289
Carrying value of interests	39,281	370,523
Maximum exposure to loss	256,513	751,947

The maximum exposure to loss is the value of the Company's binding commitment to finance the structured entities as at 30 November 2022, which does not take into consideration the amount of collateral that will be held as part of transactions within the structured entities. In reality, any losses incurred by the Company on the financing provided could potentially be offset by the realisable value of the collateral held.

13. **Deferred tax**

The deferred tax asset consists of:

				2022		2021
				£000		£000
Deferred tax assets due within 12 months				1,007		1,300
Deferred tax assets due after 12 months				7,929		9,972
<b>Total deferred tax assets</b>				<b>8,936</b>		<b>11,272</b>
Deferred tax	Accelerated depreciation	Unrelieved losses	Contributions to trusts	Share award expenses	Other timing differences	Total
assets	£000	£000	£000	£000	£000	£000
At 1 December 2020	6,908	38	1,146	97	134	8,323
Credited / (charged) to the income statement	2,040	(38)	844	1	102	2,949
At 30 November 2021	8,948	–	1,990	98	236	11,272
(Charged) / credited to the income statement	(1,962)	–	(370)	2	(6)	(2,336)
<b>At 30 November 2022</b>	<b>6,986</b>	<b>–</b>	<b>1,620</b>	<b>100</b>	<b>230</b>	<b>8,936</b>

Finance (No.2) Act 2015 introduced an 8% corporation tax surcharge on the profits of banking companies, so far as profits exceeded the surcharge allowance of £25 million, applying to profits with effect from 1 January 2016, which impacts the current tax charge in the period.

Finance Act 2021 set the tax rate at 25% from 1 April 2023. This change has been reflected in the deferred tax assets in these financial statements.

The Finance Act 2022 amended the corporation tax surcharge rate to 3% from 1 April 2023, applicable on profits of banking companies, so far as profits exceed £100 million. The Act received substantive enactment on 24 February 2022.

**14. Financial assets at fair value through profit or loss**

	2022	2021
	£000	£000
Equities	773,133	164,299
Debt securities - Corporate	1,139,876	1,016,003
Debt securities - Government	277,883	355,192
Asset-backed securities	76,686	357,859
Derivatives	773,777	704,300
	<b>3,041,355</b>	<b>2,597,653</b>

**15. 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, to 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 recorded 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 2022 and 30 November 2021, 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 £2.1 billion and £1.8 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 sell or re-pledge the securities received as collateral.

As at 30 November 2022 and 30 November 2021, the approximate fair value of securities received as collateral by the Company that may be sold or re-pledged were £4.2 billion and £3.9 billion respectively. As at 30 November 2022 and 30 November 2021, the significant majority of the securities received by the Company had either been sold or re-pledged.

**16. Trade and other receivables**

	2022	2021
	£000	£000
Amounts owed by group undertakings	207,937	116,647
Securities borrowing	949,220	1,174,516
Securities awaiting settlement	320,835	675,530
Reverse repurchase agreements	1,500,990	1,529,027
Investment banking receivables	9,931	22,870
Other trade receivables	392,868	443,449
Employee related receivables	40,516	28,154
Other debtors	3,267	498
Prepayments and accrued income	8,123	7,946
	<b>3,433,687</b>	<b>3,998,637</b>

Certain employee related receivables and prepayments amounting to £41.0 million (2021: £26.6 million) fall due after more than one year.

All the Company's financial assets, that are recorded at amortised cost, are detailed in the table above.

As at 30 November 2022, the Company had intercompany receivables, for the amounts of £81.9 million and £124.4 million, from JEG and Jefferies LLC respectively, relating to loans drawn on a revolving debt facility. The Company can demand early repayment of the loan pending a 93-day notice period. All other amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

The vast majority of the Company's receivables, as detailed in the above table, incorporate features that inherently mitigate credit risk, such as:

- high levels of collateralisation;
- transacting on a 'Delivery against Payment' basis which significantly reduces the Company's exposure to any potential financial loss from a counterparty default; and
- shorter settlement periods.

It is therefore Management's judgement that certain ECLs attributable to assets, which meet the definition of low credit risk, are considered *de minimis*. See note 26 for more details on the Company's credit risk management process.

The table below summarises, by asset class, the ECLs that were recorded at the year-end dates:

	2022			2021		
	Gross £000	ECL £000	Net £000	Gross £000	ECL £000	Net £000
Securities awaiting settlement	327,030	(6,195)	320,835	675,530	–	675,530
Investment banking receivables	10,131	(200)	9,931	22,899	(29)	22,870
Other trade receivables	392,978	(110)	392,868	443,466	(17)	443,449
	<b>730,139</b>	<b>(6,505)</b>	<b>723,634</b>	<b>1,141,895</b>	<b>(46)</b>	<b>1,141,849</b>

The ECLs on securities awaiting settlement relate to failed trades as a consequence of sanctions imposed due to the ongoing conflict in Ukraine. The ECLs on investment banking and other trade receivables are calculated under IFRS 9 by utilising a provision matrix (see section 2.8).

Apart from those items set out within the table above no other financial assets were impaired in the year ended 30 November 2022.

#### 17. Financial liabilities at fair value through profit or loss

	2022 £000	2021 £000
Equities	449,539	311,204
Debt securities - Corporate	671,432	573,415
Debt securities - Government	338,414	386,596
Derivatives	760,309	721,771
	<b>2,219,694</b>	<b>1,992,986</b>

**18. 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 2022:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets:				
Equities	768,833	3,345	955	773,133
Debt securities - Corporate	–	1,120,374	19,502	1,139,876
Debt securities - Government	91,936	185,947	–	277,883
Asset-backed securities	–	74,816	1,870	76,686
Derivatives	47	715,421	58,309	773,777
<b>Total assets</b>	<b>860,816</b>	<b>2,099,903</b>	<b>80,636</b>	<b>3,041,355</b>
Financial liabilities:				
Equities	447,153	2,386	–	449,539
Debt securities - Corporate	–	671,432	–	671,432
Debt securities - Government	150,339	188,075	–	338,414
Derivatives	–	707,101	53,208	760,309
<b>Total liabilities</b>	<b>597,492</b>	<b>1,568,994</b>	<b>53,208</b>	<b>2,219,694</b>

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 2021:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	152,319	11,422	558	164,299
Debt securities - Corporate	–	1,013,061	2,942	1,016,003
Debt securities - Government	123,196	231,996	–	355,192
Asset-backed securities	–	338,039	19,820	357,859
Derivatives	1,625	654,431	48,244	704,300
<b>Total assets</b>	<b>277,140</b>	<b>2,248,949</b>	<b>71,564</b>	<b>2,597,653</b>
<b>Financial liabilities:</b>				
Equities	307,954	–	3,250	311,204
Debt securities - Corporate	–	573,365	50	573,415
Debt securities - Government	176,342	210,254	–	386,596
Derivatives	–	669,548	52,223	721,771
<b>Total liabilities</b>	<b>484,296</b>	<b>1,453,167</b>	<b>55,523</b>	<b>1,992,986</b>

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 and other market data such as broker quotes. 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.

(iii) Financial instruments in level 3

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 as at 30 November 2022:

	Equities	Debt securities - Corporate	Asset-backed securities	Derivatives	Total
Level 3 analysis	£000	£000	£000	£000	£000
Balance as at 1 December 2021	(2,692)	2,892	19,820	(3,979)	16,041
Total (losses)/gains recognised in revenue	(88)	1,694	952	1,746	4,304
Purchases	34,369	5,996	2,100	28,950	71,415
Sales	(35,240)	(4,193)	(24,312)	—	(63,745)
Settlements	—	—	(72)	(347)	(419)
Issuances	—	—	—	(23,586)	(23,586)
Transfers into Level 3	1,055	13,129	3,392	2,458	20,034
Transfers out of Level 3	3,551	(16)	(10)	(141)	3,384
<b>Balance at 30 November 2022</b>	<b>955</b>	<b>19,502</b>	<b>1,870</b>	<b>5,101</b>	<b>27,428</b>

The following table presents the changes in level 3 instruments as at 30 November 2021:

	Equities	Debt securities - Corporate	Asset-backed securities	Derivatives	Total
Level 3 analysis	£000	£000	£000	£000	£000
Balance as at 1 December 2020	(1,118)	1,973	30,943	1,533	33,331
Total gains/(losses) recognised in revenue	179	261	1,083	905	2,428
Purchases	4,614	2,284	16,369	29,158	52,425
Sales	(5,630)	(328)	(19,246)	(34,600)	(59,804)
Settlements	(37)	(1,029)	(1,039)	(505)	(2,610)
Transfers into Level 3	5	38	2,787	—	2,830
Transfers out of Level 3	(705)	(307)	(11,077)	(470)	(12,559)
<b>Balance at 30 November 2021</b>	<b>(2,692)</b>	<b>2,892</b>	<b>19,820</b>	<b>(3,979)</b>	<b>16,041</b>

#### Transfers into and out of level 3

Transfers between levels are recognised at the beginning of the reporting period in which they occur. If a financial asset or liability was transferred to level 3 during a reporting period, its entire gain or loss for the period is included in level 3. Conversely, the tables above do not include gains or losses for level 3 financial assets and financial liabilities that were transferred out of level 3 prior to the end of the period.

Transfers into and out of level 3 in the year were primarily due to the availability and observability of market data. In the year, there was a net amount of £23.4 million in financial assets being moved into level 3. This was largely due to an decrease in market liquidity and observability in the distressed European Corporate Bonds market.

#### Use of valuation techniques

##### **Non-derivative instruments**

Level 3 instruments have one or more significant valuation inputs that are not observable. Generally, level 3 instruments are initially valued at transaction price, which is the best initial estimate of fair value. Subsequently, the Company uses other methodologies to determine fair value, which vary based on the type of instrument.

The Company's valuation of level 3 instruments is based on discounted cash flow techniques or a market-based approach. The nature of significant inputs used to determine the fair values of each type of level 3 instrument are described below.

Equities: recent third-party completed and pending transactions are the best evidence for any change in fair value. When these are not available then market comparable approaches are based on EBITDA or NAVs.

Debt securities: for defaulted or distressed positions, generally, the valuation approach involves estimating recovery amounts on underlying assets. Significant inputs are typically determined on relative value analyses, which incorporate comparisons both to prices of credit default swaps that reference the same or similar underlying instrument or entity and to other debt instruments for the same issuer for which observable prices or broker quotations are available. Additionally, a market based approach may be used whereby price information gathered through interaction with other market participants is taken into consideration.

Asset-backed securities: significant inputs are generally determined on relative value or discounted cashflow analysis and include:

- Market yields implied by transactions or similar or related assets;
- Current performance of the borrower or loan collateral and recovery assumptions if a default occurs; and
- Timing of expected future cash flows (duration) which in certain cases, may incorporate the impact of other unobservable inputs (e.g. cumulative loss rates and loss severity).

#### **Derivatives**

Level 3 derivatives mostly consist of option products where an estimation of the implied volatility is made via extrapolation from more observable option structures.

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 of significant unobservable inputs (weighted average)	
		As at 30 November 2022	As at 30 November 2021
<b>Equities</b>  £1.0 million and (£2.7 million) of level 3 assets as of November 2022 and November 2021 respectively	<u>Market comparable:</u> Underlying stock price Transaction level	£6 £0.75	£5,162 £0.75
<b>Debt securities – Corporate</b>  £19.5 million and £2.9 million of level 3 assets as of November 2022 and November 2021 respectively  Corporate debt securities	<u>Scenario analysis:</u> Estimated recovery percentage	6.50%	6.50%
Loans and other receivables	<u>Scenario analysis:</u> Estimated recovery percentage	58.9%	51.1%
<b>Asset-backed securities</b>  £1.9 million and £19.8 million of level 3 assets as of November 2022 and November 2021 respectively  Collateralised debt obligations	<u>Discounted cash flows:</u> Constant prepayment rate Constant default rate Loss severity Yield	2.0% 0.5% 65.0% 8.5%	20.0% 2.0% 30.0% 8.1%
Commercial mortgage backed securities	<u>Discounted cash flows:</u> Estimated recovery percentage	45.0%	80.8%
Residential mortgage backed securities	<u>Discounted cash flows:</u> - Cumulative loss rate - Yield - Loss severity - Duration (years)	0.3% 8.9% 25.0% 7.3 yrs	– – – –
Other asset backed securities	<u>Discounted cash flows:</u> - Cumulative loss rate - Yield	– –	7.8% - 80.1% (15.8%) 60% - 85% (62.8%)

		Range / value of significant unobservable inputs (weighted average)	
Financial assets / (liabilities) held for trading	Valuation techniques and significant unobservable inputs	As at 30 November 2022	As at 30 November 2021
<b>Derivatives</b>  £5.1 million and (£4.0 million) of level 3 liabilities as of November 2022 and November 2021 respectively	- Loss severity	—	9.4% - 16.4% (10.2%)
	- Duration (years)	—	1.35 - 2.4 (1.5)
	Price	£0.75	£0.75
	Option model: Volatility	26% - 75.31% (51%)	25.7% - 77.26% (39.9%)

- 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 instrument. 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 financial instruments.
- 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 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 2022 and 30 November 2021, as approximately £3.4 million and £2.2 million respectively, for favourable changes and £1.3 million and £0.9 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 review has considered the positions' fair value over a range of available market information.

**19. Creditors: amounts falling due within one year**

	2022 £000	2021 £000
Bank loans and overdrafts	–	83
Amounts owed to group undertakings	69,820	39,194
Securities lent collateral	645,216	795,961
Securities awaiting settlement	1,366,391	1,476,326
Re-purchase collateral	1,330,714	1,435,591
Other trade payables	10,424	131
Other creditors:		
- Taxation and social security	9,943	6,879
- UK and overseas corporation tax	7,895	12,627
- Other creditors	19,489	22,945
- Accruals and deferred income	202,280	279,126
	<b>3,662,172</b>	<b>4,068,863</b>

Amounts owed to group undertakings primarily relate to loans drawn down on revolving debt facilities. These loans are unsecured and the lender must provide 93-day notice of any early repayment demand.

All the Company's financial liabilities, that are recorded at amortised cost, are detailed in the table above and below (i.e. within creditors falling due within and after one year).

**20. Creditors: amounts falling due after more than one year**

	2022 £000	2021 £000
Amounts falling due after more than five years:		
Subordinated loan notes	176,254	159,997
Subordinated loan	62,208	56,470
	<b>238,462</b>	<b>216,467</b>

Jefferies International Finance Corporation is the lender on all the subordinated loan notes and the subordinated loan issued by the Company. The subordinated loan maturity dates are: £116.2 million on 30 April 2033, £20.7 million on 31 May 2034 and £39.4 million on 30 Nov 2036. The subordinated loan of £62.2 million 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.

**21. Lease liabilities**

	2022	2021
	£000	£000
Current	9,209	6,188
Non-current	98,460	102,271
<b>Total discounted lease liabilities</b>	<b>107,669</b>	<b>108,459</b>

Maturity analysis

Less than three months	2,314	8
Between three to twelve months	6,896	6,181
Between one to two years	8,921	8,014
Between two to five years	29,533	22,393
Over five years	60,005	71,863
<b>Total discounted lease liabilities</b>	<b>107,669</b>	<b>108,459</b>

**22. Provisions for liabilities**

	Severance provision £000	Dilapidation provision £000	Legal provision	Other £000	Total £000
As at 1 December 2021	513	2,357	–	1,182	4,052
Charge to the income statement	2,329	–	3,500	–	5,829
Credit to the income statement	–	–	–	15	15
Amount utilised	(2,265)	–	–	–	(2,265)
<b>As at 30 November 2022</b>	<b>577</b>	<b>2,357</b>	<b>3,500</b>	<b>1,197</b>	<b>7,631</b>

**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 2022 and those plans will be completed within twelve months.

**Dilapidation provision**

The lease agreement on the Company's office in London contains obligations relating to returning the premises in a defined state of repair, decorative condition and layout. The dilapidation provision is an estimate of the cost of satisfying the lease obligations on the building that were present as at 30 November 2022.

**Legal provision**

The provision related to an estimate of costs concerning a specific employment legal matter which was settled shortly after the year end.

**Other provision**

The provision is estimate of the cost required to settle two current taxation related matters. Firstly, an issue in relation to the treatment of the Company's former German branch office property in Frankfurt for German VAT purposes which has been held for several years and represents the brought forward position. Secondly, an ongoing discussion with the Italian tax authorities on the level of revenue recorded in the Company's former Italian branch in prior years. The provision relates to potential penalties that will be imposed on the Company by the Italian tax authorities.

**23. Defined contribution pension scheme**

The Company provides a defined contribution scheme for its employees.

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

	2022 £000	2021 £000
<b>Current year contributions</b>	<b>10,068</b>	<b>9,714</b>

The total pension contributions for November 2022, which amounted to £0.92 million (2021: £0.82 million) were due at the year end and are included within creditors. The assets of the scheme are held separately from those of the Company in independently administered funds.

**24. Share-based payments**

Certain employees of the Company, along with other Group employees, have been awarded shares in Jefferies Financial Group Inc. 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).

Jefferies Financial Group Inc. runs a Restricted Stock Award (RSA) and a Restricted Stock Unit (RSU) incentive scheme. 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 reimburses Group for the cost of the share awards through the intercompany accounts.

As at 30 November 2022 there were 162,691 RSAs (2021: 56,497) and no RSUs (2021: nil) outstanding. There were 106,194 RSAs granted in the year (2021: nil) with a weighted average value of \$28.3 (2021: \$nil). No RSUs were granted to employees in the current or prior year.

**25. Share capital**

Ordinary shares of £1.00 each

Authorised, allotted and fully paid	No.	£000
At 1 December 2021	573,843,378	573,843
<b>At 30 November 2022</b>	<b>573,843,378</b>	<b>573,843</b>



26. Financial risk management

**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, basis risk, volatility and currency movements. Market risk may arise from a variety of the 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, in accordance with the Market Risk Policy. Market Risk Management report directly to the Chief Risk Officer ("CRO"). The function is responsible for setting and monitoring market risk limits and indicators based on a variety of measures. It is the responsibility of Market Risk Management to report daily on compliance against these metrics including appropriate escalation of any limit breaches.

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 used include inventory position and exposure limits on a gross and net basis; scenario analysis and stress tests; sensitivity analysis; exposure concentrations; aged inventory; control of Level 3 assets; counterparty exposure; leverage; cash capital; and performance analysis metrics. VaR is not used in the assessment of the Company's regulatory capital requirements.

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 or greater than 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.

As with all measures of VaR, the estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future whereas in reality historical changes in market risk factors may not generate accurate predictions of future market movements. Furthermore, the VaR model measures the risk of a current static position over a one-day horizon and might not capture the market risk over a longer time horizon where moves may be more extreme. Consequently, this VaR estimate is only one of several tools we use in our daily risk management activities.

In addition to calculating a Company-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) (1)

	Year end £000	Daily VaR		
		Average £000	High £000	Low £000
Total Company VaR at 30 November 2022	1,259	932	1,486	497
Total Company VaR at 30 November 2021	826	1,551	3,852	679

(1) For the VaR numbers reported above, a one-day time horizon, with a one-year look-back period, and a 95% confidence level were used.

### Stress Testing

Stress testing is used to analyse the potential impact of severe but plausible market stresses on the current trading portfolios both Company-wide and within business units and trading desks. Stress testing is an important part of the risk management approach because it allows quantification of the exposure to tail risks, highlights potential loss concentrations, enables risk/reward analysis, and can be used to set risk controls and assess and mitigate risk. The stress testing methodology also assesses illiquid and concentrated positions through the application of longer liquidity horizons for these specific positions.

The 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.

The stress scenarios and parameters are subject to review and approval by the Stress Testing Steering Committee ("STSC").

### **Credit Risk**

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 securities lending activities, OTC derivative transactions, free of payment transactions, long-dated settlement cash trades and other unsettled DVP cash trades.

Credit risk is managed by the Company's Credit Risk Management team ("Credit Risk Management"), in accordance with 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 Risk Management Committee and includes:

- defining credit limit guidelines and credit limit approval processes;
- considering large 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 Risk 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 onboarding process. This process includes where relevant 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 assess counterparty credit risk and set 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 up 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, potential or expected exposures; tenor; haircuts; and collateralisation.

The Company sets limits within those contained in the large exposures regime to constrain regulatory capital to counterparty credit exposures.

### Credit Risk Mitigation

The Company utilises credit risk mitigation to manage counterparty risk, including the use of offsetting assets against liabilities (“netting”) and the receipt of collateral to reduce credit risk exposures, subject to the relevant legal agreements meeting the requirements set out in the Capital Requirements Regulation (“CRR”) and the IFPR (from 1 January 2022). The Company uses industry standard legal documentation, such as International Swaps and Derivatives Association (“ISDA”), Global Master Repurchase Agreement (“GMRA”), Global Master Securities Lending Agreement (“GMSLA”), for its agreements with counterparties which improves the management and legal certainty of its arrangements.

The key credit risk mitigating approach used within the Company requires counterparties to pledge collateral (also known as margin) under the terms of the above legal documentation. The appropriate level of collateralisation for each client is set by Credit Risk Management 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 (“MTA”), 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. Credit Risk Management are party to the negotiation process and provide approval for any non-standard terms. The Collateral Management team perform the initiation of collections of collateral and margin agreements.

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) and equity stocks (highly liquid shares listed on major exchanges).

### Derivatives

The Company is exposed to credit risk through entering OTC derivatives transactions. 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 payables 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 generally governed by either English or New York law depending on the location and preference of the counterparty. Under English law, the title of any non-cash collateral received is transferred to the Company allowing re-use. Under US agreements, Jefferies LLC acts as custodian and the Company rehypothecates any non-cash collateral received for re-use if allowed under the 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).

The Company requires that counterparties with material securities financing exposures are subject to an appropriate master netting agreement. For repurchase agreements, a GMRA is required and for stock lending activity a GMSLA 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. The legal documentation allows the Company to re-use any collateral received through securities financing transactions.

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 and liabilities are subject to offsetting under IAS 32 ‘Financial Instruments: Presentation’, enforceable master netting arrangements and similar agreements.

As at 30 November 2022	Gross amounts	Netting in statement of financial position	Net amounts in statement of financial position	Related amounts not set - off in the statement of financial position		Net amounts
				Additional amounts available for set-off	Available collateral	
	£000	£000	£000	£000	£000	£000
Financial assets:						
Financial assets held for trading:						
Derivatives	835,860	(62,083)	773,777	(181,860)	(546,853)	45,064
Reverse repurchase agreements	1,996,355	(495,365)	1,500,990	(335,686)	(1,161,209)	4,095
Securities Borrowing	949,220	–	949,220	(148,127)	(517,984)	283,109
Trade receivables	912,594	(188,960)	723,634	(13,808)	(242,703)	467,123
<b>Total</b>	<b>4,694,029</b>	<b>(746,408)</b>	<b>3,947,621</b>	<b>(679,481)</b>	<b>(2,468,749)</b>	<b>799,391</b>
Financial liabilities:						
Financial liabilities held for trading:						
Derivatives	(822,392)	62,083	(760,309)	181,860	242,703	(335,746)
Repurchase agreements	(1,826,079)	495,365	(1,330,714)	335,686	912,120	(82,908)
Securities lending	(645,216)	–	(645,216)	148,127	480,641	(16,448)
Trade payables	(1,565,775)	188,960	(1,376,815)	13,808	546,853	(816,154)
<b>Total</b>	<b>(4,859,462)</b>	<b>746,408</b>	<b>(4,113,054)</b>	<b>679,481</b>	<b>2,182,317</b>	<b>(1,251,256)</b>

Jefferies International Limited  
Year ended 30 November 2022

As at 30 November 2021	Gross amounts £000	Netting in statement of financial position £000	Net amounts in statement of financial position £000	Related amounts not set-off in the statement of financial position		Net amounts £000
				Additional amounts available for set-off £000	Available collateral £000	
Financial assets:						
Financial assets held for trading:						
Derivatives	902,722	(198,422)	704,300	(136,512)	(562,066)	5,722
Reverse repurchase agreements	2,248,331	(719,304)	1,529,027	(326,710)	(1,183,288)	19,029
Securities Borrowing	1,174,516	–	1,174,516	(265,547)	(609,198)	299,771
Trade receivables	1,349,401	(207,552)	1,141,849	(30,229)	(263,872)	847,748
<b>Total</b>	<b>5,674,970</b>	<b>(1,125,278)</b>	<b>4,549,692</b>	<b>(758,998)</b>	<b>(2,618,424)</b>	<b>1,172,270</b>
Financial liabilities:						
Financial liabilities held for trading:						
Derivatives	(920,193)	198,422	(721,771)	136,512	263,872	(321,387)
Repurchase agreements	(2,154,895)	719,304	(1,435,591)	326,710	1,106,348	(2,533)
Securities lending	(795,961)	–	(795,961)	265,548	521,820	(8,593)
Trade payables	(1,684,009)	207,552	(1,476,457)	30,229	562,066	(884,162)
<b>Total</b>	<b>(5,555,058)</b>	<b>1,125,278</b>	<b>(4,429,780)</b>	<b>758,999</b>	<b>2,454,106</b>	<b>(1,216,675)</b>

The maximum exposure to credit risk of the Company as at 30 November 2022 is disclosed in the table below based on the carrying amounts of the financial assets the Company believes are subject to credit risk. Where the Company enters credit enhancements arrangements, including receiving cash and security as collateral, under master netting agreements, the financial effect of the credit enhancements is also disclosed below. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements.

The “unrated” balance in ‘Maximum exposure to credit risk by credit rating’ represents the pool of counterparties that either do not require a rating or are under review. The unrated counterparties are largely private companies which are transacting with the Company on a “Delivery against Payment” basis which significantly reduces the Company’s exposure to any potential financial loss from a counterparty default.

Financial assets classified as held for trading, excluding derivatives, are subject to traded credit risk through exposure to the issuer of the financial asset; the Company manages this issuer credit risk through its market risk management infrastructure and this traded credit risk is incorporated within the VaR measures included in the market risk disclosure.

Class	2022			2021		
	Gross credit exposure £000	Credit enhancements £000	Net credit exposure £000	Gross credit exposure £000	Credit enhancements £000	Net credit exposure £000
Financial assets held for trading:						
Derivatives	773,777	(728,713)	45,064	704,300	(698,578)	5,722
Collateralised financing	2,450,210	(2,163,006)	287,204	2,703,543	(2,384,743)	318,800
Trade receivables	723,634	(256,511)	467,123	1,141,849	(294,101)	847,748
<b>Total</b>	<b>3,947,621</b>	<b>(3,148,230)</b>	<b>799,391</b>	<b>4,549,692</b>	<b>(3,377,422)</b>	<b>1,172,270</b>

Maximum exposure to credit risk by credit rating:

	2022 £000	2021 £000
AAA to AA-	81,670	94,570
A+ to BBB-	3,313,267	3,895,340
BB+ and lower	112,233	73,934
Unrated	440,451	485,848
<b>Total</b>	<b>3,947,621</b>	<b>4,549,692</b>

The table below provides an analysis of the credit risk exposure by IFRS 9 stage per class of financial assets subject to ECL:

As at 30 November 2022

	Staging of Financial Assets subject to ECL			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
<b>Cash and cash equivalents</b>				
Investment grade	677,913	–	–	677,913
Gross and carrying amount (1)	677,913	–	–	677,913
<b>Reverse repurchase agreements</b>				
Investment grade	1,784,775	–	–	1,784,775
Non-investment grade	208,055	–	–	208,055
Un-rated	3,525			3,525
Gross and carrying amount (1)	1,996,355	–	–	1,996,355
<b>Stock borrow agreements</b>				
Non-investment grade	876,265	–	–	876,265
Un-rated	72,955	–	–	72,955
Gross and carrying amount (1)	949,220	–	–	949,220
<b>Trade receivables</b>				
Investment grade	488,425	567	147	489,139
Non-investment grade	2,564	–	–	2,564
Unrated	406,238	11,437	9,721	427,396
Gross amount (2)	897,227	12,004	9,868	919,099
Loss allowance	–	(30)	(6,475)	(6,505)
<b>Net Trade receivables</b>	<b>897,227</b>	<b>11,974</b>	<b>3,393</b>	<b>912,594</b>

- (1) ECL are de minimis on this financial asset class therefore gross amount is equivalent to the carrying amount.
- (2) £6.2 million in stage 3 relates to receivables on Russian securities. The remaining £12.0 million in Stage 2 and £3.7 million in Stage 3 are investment banking and other receivables within the 31 to 90 days and over 90 days categories (with the ECL being derived using the provision matrix approach as outlined in note 2.8).

**Jefferies International Limited**  
**Year ended 30 November 2022**

As at 30 November 2021

	Staging of Financial Assets subject to ECL			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
<b>Cash and cash equivalents</b>				
Investment grade	586,422	–	–	586,422
Gross and carrying amount (1)	586,422	–	–	586,422
<b>Reverse repurchase agreement</b>				
Investment grade	1,973,628	–	–	1,973,628
Non-investment grade	274,703	–	–	274,703
Gross and carrying amount (1)	2,248,331	–	–	2,248,331
<b>Stock borrow agreements</b>				
Investment grade	1,125,347	–	–	1,125,347
Non-investment grade	45,347	–	–	45,347
Unrated	3,822	–	–	3,822
Gross and carrying amount (1)	1,174,516	–	–	1,174,516
<b>Trade receivables</b>				
Investment grade	796,497	417	–	796,914
Non-investment grade	24,883	9	–	24,892
Unrated	505,671	21,085	885	527,641
Gross amount	1,327,051	21,511	885	1,349,447
Loss allowance		(33)	(13)	(46)
<b>Net Trade receivables</b>	<b>1,327,051</b>	<b>21,478</b>	<b>872</b>	<b>1,349,401</b>

The following tables explains the change in the loss allowance in the current and prior financial years.

	Stage 1 12-month ECL (1) £000	Stage 2 Lifetime ECL £000	Stage 3 Lifetime ECL £000	Total £000
<b>ECLs</b>				
Loss allowance as at 1 December 2021	–	33	13	46
Movements within income statement impact:				
Decrease due to derecognition repayments and disposals	–	(33)	(12)	(45)
New financial assets originated or purchased	–	30	6,462	6,492
Transfers between ageing categories	–	–	12	12
Total income statement impact	–	(3)	6,462	6,459
Loss allowance as at 30 November 2022	–	30	6,475	6,505
<b>ECLs recognised by asset type:</b>				
Securities awaiting settlement (1)	–	–	6,195	6,195
Investment banking and other receivables (2)	–	30	280	310
<b>Loss allowance as at 30 November 2022</b>	<b>–</b>	<b>30</b>	<b>6,475</b>	<b>6,505</b>

- (1) Due to the low credit risk nature of the Company's financial assets in scope, Management have deemed any ECL to be de minimis (apart from those related to the Russian securities and those recorded in investment banking and other receivables).
- (2) ECL calculated by utilising a provision matrix (see section 2.8).

ECLs	Stage 1 12-month ECL (1) £000	Stage 2 Lifetime ECL £000	Stage 3 Lifetime ECL £000	Total £000
Loss allowance as at 1 December 2020	–	4	93	97
Movements within income statement impact:				
Decrease due to derecognition repayments and disposals	–	(4)	(93)	(97)
New financial assets originated or purchased	–	33	13	46
Total income statement impact	–	29	(80)	(51)
Loss allowance as at 30 November 2021	–	33	13	46
ECLs recognised by asset type:				
Investment banking and other receivables (2)	–	33	13	46
<b>Loss allowance as at 30 November 2021</b>	<b>–</b>	<b>33</b>	<b>13</b>	<b>46</b>

### Liquidity and Funding Risk

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

The Company's main liquidity risks are credit rating risk, 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 liquidity risk appetite statement and limits; 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 Internal Capital Adequacy and Risk Assessment ("ICARA") process as approved by the Board.

### Stress Testing

The Liquidity Risk Management team ("Liquidity Risk Management") undertake daily stress tests which assess the potential stressed outflows under a range of severe but plausible market conditions. The stress tests consider idiosyncratic, market-wide, and combined stress scenarios. The idiosyncratic stress relates to Company-specific events, for example, a ratings downgrade. The market-wide scenario refers to exogenous events which impact the whole market. The combined scenario considers both idiosyncratic and market-wide stress factors. The stress tests include stress parameters covering the Company's main sources of risk including the financing of the trading portfolio, stock borrow-lending activities, intra-day liquidity risk, and off-balance-sheet risk. The Company monitors the liquidity outflows of these scenarios, compared against the Company's Liquid Asset Buffer ("LAB"), to ensure it has adequate liquid resources. The stress scenarios and parameters are subject to review and approval by the Stress Testing Steering Committee ("STSC") and ratified by the European Asset and Liability Management Committee ("ALCO") and the Risk Management Committee.



Funding Sources and Financial Liabilities

The Company finances its balance sheet through a combination of in-house capital, secured financing transactions and wholesale unsecured funding from Jefferies Group and other affiliate companies.

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. On the balance sheet, the financial liabilities classified as held for trading and the repurchase collateral are presented within current liabilities due to the fact that they are held for short term trading purposes.

	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	Total £000
At 30 November 2022						
Financial liabilities classified as held for trading	1,677,919	73,458	30,240	293,283	144,794	2,219,694
Amounts owed to group undertakings	26,038	43,782	–	–	238,462	308,282
Securities lent collateral	645,216	–	–	–	–	645,216
Securities awaiting settlement	1,366,391	–	–	–	–	1,366,391
Repurchase collateral	1,295,311	–	35,403	–	–	1,330,714
Other trade payables	10,424	–	–	–	–	10,424
Other creditors	215,231	24,376	–	–	–	239,607
Provision for liabilities	4,076	1,198	–	–	2,357	7,631
Lease liabilities	2,314	6,896	8,921	29,533	60,005	107,669
<b>Total financial liabilities</b>	<b>5,242,920</b>	<b>149,710</b>	<b>74,564</b>	<b>322,816</b>	<b>445,618</b>	<b>6,235,628</b>

It should be noted that a significant proportion of the Company's trade payables (e.g. securities awaiting settlement) are on industry standard short settlement cycles and therefore most of the liabilities fall within the "less than 3 months" category.

As at 30 November 2021

	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	Total £000
At 30 November 2021						
Financial liabilities classified as held for trading	1,333,407	51,577	150,421	380,573	77,008	1,992,986
Amounts owed to group undertakings	8,174	31,020	–	–	216,467	255,661
Securities lent collateral	795,961	–	–	–	–	795,961
Securities awaiting settlement	1,476,326	–	–	–	–	1,476,326
Repurchase collateral	1,053,829	143,871	237,891	–	–	1,435,591
Other trade payables	131	–	–	–	–	131
Other creditors	309,033	12,627	–	–	–	321,660
Provision for liabilities	2,870	–	1,182	–	–	4,052
Lease liabilities	8	6,181	8,014	22,393	71,863	108,459
<b>Total financial liabilities</b>	<b>4,979,739</b>	<b>245,276</b>	<b>397,508</b>	<b>402,966</b>	<b>365,338</b>	<b>6,390,827</b>

## 27. 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 includes Strategic Risk appetite statements and the capital limit framework, 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. The Company's capital management is overseen by various committees reporting up to the Board, including the Risk Management Committee, and the European ALCO. Management information on, 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 objective of the capital management approach is 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, in particular the ICARA. 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 any upcoming regulatory changes.

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 entities within Group. The Company has not issued any financial instruments that qualify as additional Tier 1 instruments under the regulatory 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 MIFIDPRU disclosures report provides information on the key features of the Tier 1 and Tier 2 capital instruments.

	Year ended 30 November	
	2022	2021
	£000	£000
Total borrowings	238,462	216,467
Total equity	1,144,949	1,028,108
Total capital	1,383,411	1,244,575
Regulatory deductions	(16,306)	(43,632)
<b>Regulatory capital ("Own funds")*</b>	<b>1,367,105</b>	<b>1,200,943</b>

\*Equity includes the profit for the year. The Company approved and paid a £40.3 million dividend to its parent in January 2023 which is not factored into the above Regulatory capital numbers.

### Application of the Pillar 1 Framework

The Firm's regulatory capital requirements ('own funds requirements') represent the highest of the permanent minimum capital requirement, the fixed overheads requirement and the k-factor requirement, which are set out in the IFPR under the FCA's MIFIDPRU sourcebook. This regime became applicable to the Company, along with its subsidiary LIML, with effect from 1 January 2022. The new regime has been designed to better capture the risks inherent in the business models of investment firms replacing many rules that were largely designed for credit institutions.

The European version of these rules has applied to the Company's German subsidiary, JEG, from 26 June 2021.

#### Application of the Pillar 2 Framework

As part of the capital planning process, the Company seeks to ensure that it will maintain capital resources in excess of the minimum regulatory capital requirements under both normal and stressed conditions. Stress testing, covering a range of severe but plausible scenarios, therefore informs decisions on the size and quality of capital buffers required to ensure capital adequacy. These results are incorporated into the capital planning process.

The minimum regulatory capital requirement for the Company has been agreed with the FCA through the FCA's Supervisory Review and Evaluation Process which sets the Individual Guidance. The level of Pillar 2 capital held reflects the risks inherent in the business model and products traded as well as the governance, control and risk management infrastructure. The assessment defines both a going concern capital requirement as well as the level of capital required to ensure an orderly wind down of the Company. This is documented annually in the ICARA which is reviewed by the FCA.

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 ICARA assesses:

- current and future capital adequacy under typical operating conditions 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; 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.

## **28. Contingent liabilities**

The Company had no material contingent liabilities as at 30 November 2022. In the normal course of business, the Company has been named, from time to time, as a defendant in legal and regulatory proceedings. The company is also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions. We recognise a liability for a contingency when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The determination of the outcome and loss estimates requires significant judgment on the part of management. In many instances, it is not possible to determine whether any loss is probable or even possible or to estimate the amount of any loss or the size of any range of loss.

## **29. 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).

**30. Controlling parties**

The Company's parent undertaking and ultimate controlling party is Jefferies Financial Group Inc. which is also the largest and smallest group to consolidate these financial statements. Copies of the financial statements of Jefferies Financial Group Inc. are available on request from 520 Madison Avenue, New York, New York 10022, United States of America or from the Investor Relations section on [www.jefferies.com](http://www.jefferies.com).

**Other information**

**COUNTRY-BY-COUNTRY REPORTING**

The Company is required to prepare and publish Country-by-Country information under the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The Country-by-Country disclosures will be available by 31 May 2023 on the Jefferies Group web-site (specific location: <https://ir.jefferies.com/resources/notices-disclosures/default.aspx>).

**ANNUAL PRUDENTIAL DISCLOSURE REPORTS**

Prudential Disclosures Reports are published by the Company and LIML to fulfil the regulatory disclosures requirements set out under the FCA's MIFIDPRU sourcebook Chapter 8. JEG has prepared a Disclosures Report under Part 6 of the IFR and in conjunction with §54 of the German Investment Act (Wertpapierinstitutsgesetz, WpIG). The Reports are available on the Jefferies Group web-site (specific location: <https://ir.jefferies.com/resources/notices-disclosures/default.aspx>).