

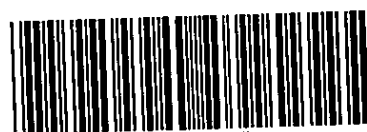
*Company Registration No 3977886*

## **JEFFERIES INTERNATIONAL (HOLDINGS) LIMITED**

### **Directors' Report and Financial Statements**

**For the Eleven Months Ended 30 November 2010**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the eleven month period ended 30 November 2010. The directors have changed the Company's and Group's year-end financial reporting date from 31 December to 30 November to align with the year-end of the ultimate parent

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

Jefferies International (Holdings) Limited "the Company" acts as an intermediate holding company for the European activities of Jefferies Group, Inc a US listed independent, full service global investment banking firm serving our clients for nearly fifty years

The "Group" comprises the Company and its subsidiaries. The subsidiaries are detailed in note 12. The principal operating subsidiary within the Group is Jefferies International Limited "JIL". The Group has continued to operate as a full service investment banking firm, including equities, fixed income and investment banking and the Group has acted, through its network of offices, as a representative for its American parent company.

In 2010 the Group continued to build upon the business growth that was achieved in 2009, particularly within fixed income and wealth management. The Group currently operates in the primary sovereign debt markets, participating in debt issuance for the governments of the United Kingdom, Germany, the Netherlands, Portugal, Austria, Slovenia and Belgium. The expansion of the fixed income business has been a significant factor in the growth of the Group's revenues and balance sheet.

Jefferies International Limited (JIL), a wholly owned subsidiary of the Company, is a member of the London Stock Exchange, Euronext, Deutsche Boerse (Xetra platform), Oslo Bors, SIX Swiss Exchange, Borsa Italia, BATS Europe (MTF) and Chi-X (MTF). Jefferies (Japan) Limited, a subsidiary of JIL, is a member of the Tokyo Stock Exchange. Jefferies Hong Kong Limited became a member of the Hong Kong Stock Exchange on 15 February 2011.

JIL opened a branch in Milan to act primarily as agent in the fixed income markets. The company continues to operate branches in Paris and Frankfurt.

JIL issued 15,000,000 and 32,053,901 additional shares at £1 each on 16 June 2010 and 20 September 2010 respectively, both share issues were taken up in full by the Company. This investment was funded by the Company issuing an additional 36,672,901 shares at £1 each and receiving a loan from Jefferies Group, Inc. In addition, the Group has invested in its subsidiary companies in Singapore, Hong Kong and India, those investments have been funded through intercompany debt.

**DIRECTORS' REPORT (CONTINUED)**

The directors are not aware of any significant developments or factors which will have a major impact on the continued success of the business

The table below sets out the key results for the period The statutory Consolidated Profit and Loss Account for the period is set out on page 9

Group	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Turnover	236,457	199,981
Profit for the financial period / year	932	2,034
Shareholders' funds	251,296	211,329

Key financial performance indicators

Gross margin	8%	3%
Return on capital employed (ROCE)	4%	3%
Current ratio	106%	115%

The increase in turnover in 2010 reflects a continued expansion both in terms of markets and geographical reach The growth in revenues has been successfully translated into increased profitability with significant rises in both the gross margin and ROCE ratios

The Group has recorded a consolidated profit for the financial period of £932,483 (2009 £2,034,041) which will be transferred to reserves The consolidated profit is stated after an impairment charge on acquisition goodwill of £7,043,961

In 2010, JIL has taken the opportunity to re-organise its financing with the ultimate parent company, Jefferies Group, Inc During the period the subordinated loan of USD65 million to JIL was repaid to Jefferies Group, Inc In its place JIL obtained a subordinated loan note facility from Jefferies Group, Inc which has since been fully utilised The facility is for USD120 million at an interest rate of 9% per annum

**SUBSEQUENT EVENTS**

In April 2011 Jefferies Group, Inc announced that it had entered into an agreement to acquire Prudential Bache's Global Commodities Group "GCG" from Prudential Financial, Inc (see note 32)

In light of the planned expansion of Jefferies Group's Asian operations, the decision has been taken by the Board of Jefferies Group, Inc to set up an Asian holding company which will own all Jefferies Group's Asian based companies (see note 32)

Since the period end certain employees of JIL have waived their rights to remuneration and instructed the company to make contributions into deferred compensation schemes on their behalf (see note 32)

**DIVIDENDS**

The directors do not recommend the payment of a dividend for the period ended 30 November 2010 (2009 £nil)

## **DIRECTORS' REPORT (CONTINUED)**

### **GOING CONCERN**

Whilst in the current economic environment there is inherent uncertainty about the level of future revenue streams the directors have a reasonable expectation that there is both the intent and adequate resources, both in terms of liquidity and regulatory capital, for the Company and the Group to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### **RISKS AND UNCERTAINTIES**

The Company and the Group acknowledge the risks they face in undertaking their business and seek to understand, assess and mitigate those risks in such a way that the financial impact is managed in accordance with the overall risk appetite of the Company and the Group.

The principal trading risks of the Company and Group are discussed in note 28 of the financial statements. Other risks are considered below -

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

### **DIRECTORS**

The directors who held office during the period were as follows:

H M Tucker  
D W Weaver

None of the directors had interests in the ordinary share capital of the Company or the Group. None of the directors had interest in options over ordinary shares in the Company or the Group.

### **DIRECTORS' INDEMNITIES**

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

### **DIRECTORS' VIEW OF CAPITAL ADEQUACY AND LIQUIDITY**

The directors are confident that the Group and the Company are adequately capitalised as at 30 November 2010 and have been adequately capitalised throughout the period ended 30 November 2010. At 30 November 2010, calculated in accordance with FSA rules, the Group Financial Resources Surplus was £172.1million, Group Financial Resources being 220.5% of the Financial Resources Requirement.

The directors are confident that adequate funding is available as and when required from Jefferies Group, Inc. after taking account of Jefferies Group, Inc.'s cash and funding position.

## **DIRECTORS' REPORT (CONTINUED)**

### **REMUNERATION POLICY**

The Group's remuneration policy is designed to fairly compensate employees dependent on their individual performance and the performance of the group as a whole. The remuneration policy sets out to achieve three principal objectives: (1) attract and retain talented employees, (2) encourage long-term service and loyalty and (3) relative fairness without exposing the Group to excessive risk.

The remuneration process is overseen by the Compensation Committee which is made up entirely of non-executive directors. The Compensation Committee reports directly to the Board of Jefferies Group, Inc. The Compensation Committee utilised the services of Mercer as its external compensation consultant in 2010.

The compensation packages offered to the executive officers are made up of the following four components -

- Base salary which provides the named officers with a predictable level of income to enable the executive to meet living expenses and financial commitments
- Annual bonus paid dependent on the achievement of pre-agreed performance objectives that are designed to align the individual's objectives with those of the Group
- Long-term stock awards serve to both align the interests of the executive officers with those of the shareholders and to promote long term service to the Group.
- Other benefits include pension, medical, dental, life and disability insurance

### **CREDITOR PAYMENT POLICY**

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

### **EMPLOYER POLICY**

The Group endeavours to keep employees informed about the progress of the businesses within the Jefferies Group and encourages them to make known their views. The texts of public announcements are made available to employees simultaneously with its release to the press and shareholders, and communication with employees occurs on a daily basis via release of a group-wide e-mail update, and in addition, there are regular updates from senior management both in the US and in the UK on how the Group is performing internationally.

The interest of staff in the group's performance is achieved through the Employee Stock Purchase Plan, in which staff at all levels are able to participate, and through share awards for senior employees as part of their end of year compensation.

It is the policy and practice of the Group to provide equal employment opportunities for all employees and applicants. The Group does not discriminate on the basis of sex, race, religion, age, nationality, ethnic origin, marital status, disability or sexual orientation. Any such discrimination by an employee or worker of the Group will be treated as gross misconduct and could lead to dismissal.

The Group complies at all times with employment law and best practice in the countries in which it is represented.

### **CHARITABLE AND POLITICAL DONATIONS**

Charitable donations amounting to £143,651 (2009 £29,929) were made by the Group during the financial period. The charitable donations were primarily made in aid of the Haitian disaster relief effort. There were no political donations made within the financial period (2009 £nil).

**DIRECTORS' REPORT (CONTINUED)**

**DISCLOSURE OF INFORMATION TO AUDITORS**

Each of the persons who are 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 and Group'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 and Group'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

**AUDITORS**

Deloitte LLP was newly appointed as auditor, of the Company and Group, on 6 June 2010. The directors will propose a resolution to re-appoint Deloitte LLP as auditor for the forthcoming year.

**Approved by the Board and signed on its behalf by:**



H M Tucker  
**Director**

Vintners Place  
68 Upper Thames Street  
London EC4V 3BJ  
30 August 2011

Company Registration No 3977886

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group's and Company's position as at the end of the financial period ended 30 November 2010 and of their profit or loss for that period. In preparing each of the Group's and Company's financial statements, the directors are required to

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

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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JEFFERIES INTERNATIONAL (HOLDINGS) LIMITED (Company Registration No 3977886)**

We have audited the financial statements of Jefferies International (Holdings) Limited for the period ended 30 November 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to Group and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 30 November 2010 and of the Group's profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

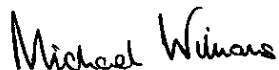
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JEFFERIES  
INTERNATIONAL (HOLDINGS) LIMITED (Company Registration No 3977886) (continued)**

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

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

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



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

Chartered Accountants and Statutory Auditor  
London, United Kingdom

30 August 2011

# *Jefferies International (Holdings) Limited*

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the period ended 30 November 2010

	<i>Notes</i>	<b>11 months to 30 November 2010 £000</b>	<b>12 months to 31 December 2009 £000</b>
<b>Group turnover</b>	<b>2</b>	<b>236,457</b>	199,981
Administrative expenses		<b>(217,258)</b>	(195,164)
Other operating income		<u>-</u>	<u>1,803</u>
<b>Group operating profit</b>		<b>19,199</b>	6,620
Impairment charge	<i>10</i>	<b>(7,045)</b>	-
Interest receivable and similar income	<i>3</i>	<b>1,231</b>	511
Interest payable and similar charges	<i>4</i>	<u><b>(7,338)</b></u>	<u>(2,984)</u>
<b>Profit on ordinary activities before taxation</b>	<b>5</b>	<b>6,047</b>	4,147
Tax on profit on ordinary activities	<i>9</i>	<u><b>(5,115)</b></u>	<u>(2,113)</u>
<b>Profit for the financial period / year</b>	<b>24</b>	<u><b>932</b></u>	<u>2,034</u>

The notes on pages 13 to 41 form part of these financial statements

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

As permitted under section 408 of the Companies Act 2006, the Company has not presented its profit and loss account. The retained loss attributable to the Company for the period is £12,957,510 (2009 profit of £1,209,473)

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*Jefferies International (Holdings) Limited*

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**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the period ended 30 November 2010

	<i>Note</i>	<b>11 months to 30 November 2010 £000</b>	<b>12 months to 31 December 2009 £000</b>
<b>Retained profit for the financial period / year</b>		<b>932</b>	<b>2,034</b>
Currency translation differences	25	<b>2,113</b>	<b>(2,431)</b>
UK tax on currency translation differences		<b>(591)</b>	<b>681</b>
<b>Total recognised gains relating to the financial period / year</b>		<b>2,454</b>	<b>284</b>

The notes on pages 13 to 41 form part of these financial statements

# *Jefferies International (Holdings) Limited*

## CONSOLIDATED BALANCE SHEET

At 30 November 2010

	Notes	30 November 2010		31 December 2009	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	10		6,587		19,050
Tangible assets	11		<u>17,884</u>		<u>16,119</u>
			24,471		35,169
<b>Current assets</b>					
Cash at bank and in hand		104,811		67,253	
Trading assets	15	2,360,726		543,060	
Investment securities - available for sale	14	1,252		1,234	
Debtors					
Amounts falling due within one year	13	2,795,575		877,825	
Amounts falling due after more than one year	13	<u>27,969</u>		<u>27,140</u>	
		5,290,333		1,516,512	
<b>Creditors: amounts falling due within one year</b>					
Trading liabilities	16	(2,633,560)		(483,064)	
Other creditors	17	<u>(2,349,888)</u>		<u>(807,067)</u>	
		(4,983,448)		(1,290,131)	
<b>Net current assets</b>			<u>306,885</u>		<u>226,381</u>
<b>Total assets less current liabilities</b>			331,356		261,550
<b>Creditors: amounts falling due after more than one year</b>	18		(78,576)		(48,143)
<b>Provisions for liabilities and charges</b>	21		<u>(1,484)</u>		<u>(2,078)</u>
<b>Net assets</b>			<u>251,296</u>		<u>211,329</u>
<b>Capital reserves</b>					
Called up share capital	23		267,201		230,528
Share premium account	24		14,610		14,610
Merger reserve	24		6,499		6,499
Capital contribution reserve	24		3,572		3,323
Other reserves	24		13,361		10,999
Profit and loss account	24		<u>(53,947)</u>		<u>(54,630)</u>
<b>Shareholders' funds</b>	25		<u>251,296</u>		<u>211,329</u>

The notes on pages 13 to 41 form part of these financial statements. These financial statements were approved by the Board of Directors on 30 August 2011 and were signed on its behalf by



H M Tucker  
DIRECTOR

# *Jefferies International (Holdings) Limited*

## COMPANY BALANCE SHEET

At 30 November 2010

	Notes	30 November 2010		31 December 2009	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	12		240,381		178,683
<b>Current assets</b>					
Debtors	13	<u>119,851</u>		<u>2,490</u>	
		119,851		2,490	
<b>Creditors: amounts falling due within one year</b>					
Other creditors	17	<u>(156,997)</u>		<u>(1,922)</u>	
<b>Net current (liabilities) / assets</b>			<u>(37,146)</u>		<u>568</u>
<b>Net assets</b>			<u>203,235</u>		<u>179,251</u>
<b>Capital reserves</b>					
Called up share capital	23		267,201		230,528
Share premium account	24		14,610		14,610
Capital Contribution	24		3,086		2,817
Profit and loss account	24		<u>(81,662)</u>		<u>(68,704)</u>
<b>Shareholders' funds</b>	25		<u>203,235</u>		<u>179,251</u>

The notes on pages 13 to 41 form part of these financial statements

These financial statements were approved by the Board of Directors on 30 August 2011 and were signed on its behalf by



H M Tucker  
DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS**

For the period ended 30 November 2010

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's and the Group's financial statements

***Basis of preparation***

The financial statements have been prepared in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice and under the historical cost convention, except for trading assets and liabilities, as noted below, in accordance with the applicable United Kingdom accounting standards

***Going concern***

Whilst in the current economic environment there is inherent uncertainty about the level of future revenue streams the directors have a reasonable expectation that there is both the intent and adequate resources, both in terms of liquidity and regulatory capital, for the Company and the Group to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

***Cash flow statement***

As permitted by Financial Reporting Standard ("FRS") 1 (revised 1996) paragraph 5a, no cash flow statement is presented in these accounts as the Group is wholly owned by Jefferies Group, Inc, which presents such a consolidated cash flow statement in its own published consolidated financial statements that are publicly available

***Net trading income***

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

***Asset management fees***

The asset management fees are derived from the management of a portfolio of convertible bonds. The fees are recognised on an accruals basis and recorded to the profit and loss account in the period earned provided they are receivable under the terms of the contract and collectability is reasonably assured

***Commission income***

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

***Investment banking fees***

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

***Service fee income***

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

***Placement fees***

Where the fees receivable from fund placement and other contracts are confirmed as receivable under the terms of the contract, the full contract value is recognised in the financial accounts in the period in which the placement on the contract is successfully completed

***Interest income and expense recognition***

Interest income and expense presented in the profit and loss account includes interest on financial assets and liabilities and short and long term funding. Interest income and expense on all trading assets and liabilities are presented together with all other changes in fair value of trading assets and liabilities in net trading income

**1 Accounting policies (continued)**

***Goodwill***

Goodwill may arise on the acquisition of subsidiaries, associated undertakings and joint ventures. It represents the difference between the cost of acquisition and the fair value of the net assets acquired. In accordance with Financial Reporting Standard 10, goodwill is capitalised as an intangible asset and amortised through the profit and loss account over its expected useful economic life. The useful economic life of the goodwill is determined at the time of the acquisition giving rise to it and is generally expected to be five years. Goodwill is amortised on a straight line basis with a full year's charge in the year of acquisition. Goodwill is subject to impairment review in accordance with Financial Reporting Standard 11 if there are events or changes in circumstances that indicate that the carrying amount may no longer be appropriate. The impairment review is carried out when necessary by comparing the present value of the expected future cashflows from an entity with the carrying value of its net assets including goodwill.

***Trading assets and liabilities***

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

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

***Financing Transactions***

The Group enters into repurchase and reverse repurchase agreements and securities borrowed and loaned transactions to accommodate customers and earn interest rate spreads (also referred to as "matched-book transactions"), obtain securities for settlement and finance inventory positions.

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

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

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

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

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

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



**1 Accounting policies (continued)**

***Investment securities – “available for sale” and “held-to-maturity”***

Securities intended to be held on a continuing basis are classified as “available-for-sale”. Available for sale securities are initially measured at fair value plus direct and incremental transaction costs, subsequently re-measured at fair value with changes therein recognised in equity in the “available-for-sale reserve” until the securities are either sold or impaired. For unquoted equity securities, whose value cannot be reliably measured, these are carried at cost. When sold, cumulative gains and losses previously recognised in equity are recognised in the profit and loss account as “gains less losses from financial investments”. At each balance sheet date, an assessment is made of whether there is any objective evidence of impairment in the value of a financial asset or group of assets. If impaired, the cumulative loss is removed from equity and recognised in the profit and loss account.

The Group had no “held-to-maturity” investments.

***Derivatives***

Derivatives are held for trading purposes and arise from proprietary trading activities. These are carried at fair value in the balance sheet with changes in realised and unrealised gains and losses recorded in the profit and loss account.

***Derecognition***

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

***Offsetting***

The Group only offsets financial assets and liabilities presenting the net amount in the balance sheet where it

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

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

***Segmental Reporting***

The Group is exempt from complying with the Statement of Standard Accounting Practice (SSAP 25) on segmental reporting as the published financial statements of its parent company, Jefferies Group, Inc. meet the requirements as set out in that standard.

**1 Accounting policies (continued)**

***Fair value measurement***

Since 1 January 2006 financial instruments are accounted for on a trade date basis and fair valued through the profit and loss account. The fair values of financial assets and financial liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. The fair value of exchange traded derivatives is obtained from observable market prices. The fair value of over-the-counter (OTC) derivatives is determined by valuation models where the input parameters are validated by observable market data.

***Fixed assets and depreciation***

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

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

***Intangible asset and amortisation***

Intangible assets excluding goodwill, are included at cost and amortised over equal annual instalments over a period of five years which is their estimated useful economic life.

***Impairment of tangible and intangible assets***

The tangible and intangible assets are reviewed for impairment at the end of each reporting period to ensure that their carrying value on the balance sheet has not become irrecoverable.

***Fixed asset investments and shares in subsidiary undertakings***

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

***Forgivable loans***

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

***Taxation***

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

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

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

**1 Accounting policies (continued)**

***Foreign currencies***

- The functional currency of the Group and the Company is UK pound sterling. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year-end. The results of overseas branches and subsidiary undertakings are translated into sterling at the average rates of exchange for the year.
- Exchange differences arising from translation of the result for the period from the average rate to the exchange rate ruling at the year-end are accounted for in reserves.
- Other exchange differences are recognised in the profit and loss account.

***Pension costs***

The Group provides pension plans for employees in most locations. The assets of the schemes are held separately from those of the Group in independently administered funds. The exact pension arrangements vary from country to country and are made in accordance with local regulations and customs. The schemes are all defined contribution schemes and pension costs recognised in the profit and loss account represent the contributions payable to the schemes for the period.

***Leased assets***

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

***Provision for onerous leases***

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

***Share-based payments***

The share awards programme allows employees of the Group to acquire shares in the ultimate parent company, Jefferies Group, Inc. As the shares in the stock awards programme are granted by the parent, these are treated as equity settled transactions.

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 and amortised over the period to which the award relates.

Shares awarded to an employee on commencement of employment are amortised over the retention period from the grant date. Where share awards are granted during the year or after the year end in respect of services rendered in the year under review, the awards are expensed to the profit and loss account in that year, as the employee could be entitled to the full amount of the award without completing the vesting period.

The compensation expense charged to the profit and loss account is credited to the reserves and, to the extent that a charge is made by the ultimate parent, credited to an intercompany account, thereby reducing the amount credited to reserves. A share award may be forfeited if an employee ceases to be employed by the Group before the end of the vesting period, if they breach the forfeiture provisions of that award. If the award of shares is forfeited during the vesting period, the life to date charge is reversed to the profit and loss account at the time of forfeiture.

***Deferred compensation schemes***

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

**1 Accounting policies (continued)**

***Fair Value Hierarchy***

In determining the fair value of the financial instruments, we maximise the use of observable inputs and minimise the use of unobservable inputs by requiring that observable inputs are used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The Group applies a hierarchy to categorise the fair value measurements broken down into three levels based on the transparency of inputs as follows:

- Level 1    Quoted prices are available in active markets for identical assets or liabilities as of the reporting date
- Level 2    Pricing inputs are other than quoted prices in active markets, which are either directly observable as of the reported date. The nature of these financial instruments include cash instruments for which quoted prices are available but traded less frequently, derivative instruments include whose fair value has been derived using a model where inputs to the model are directly observable in the market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observable
- Level 3    Instruments that have little or no pricing observability as of the reported date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of the fair value require significant management judgement or estimation

***Clients' money***

The Group holds money on behalf of clients in accordance with the Client Asset Rules of the Financial Services Authority. Such monies and the corresponding liability to clients are not shown on the face of the balance sheet where the Group is not beneficially entitled thereto (see note 29)

## *Jefferies International (Holdings) Limited*

### 2 Turnover

The Group's turnover represents commission on dealing, profit on trading in equities and debt instruments, asset management fee income, investment banking fees and amounts receivable from the provision of services to fellow subsidiary undertakings

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Net trading and commission income		
- Principal transactions	128,382	123,817
- Commissions	23,532	16,177
- Interest	(1,516)	(55)
Asset management fees	4,538	9,046
Service fee income	34,295	-
Investment banking fees	44,113	48,660
Placement fees	-	354
Other income	3,113	1,982
	<u>236,457</u>	<u>199,981</u>

### 3 Interest receivable and similar income

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Interest received on bank accounts	912	6
Other interest receivable	319	505
	<u>1,231</u>	<u>511</u>

### 4 Interest payable and similar charges

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Interest payable to group undertakings	(6,519)	(2,261)
Other interest payable	(819)	(723)
	<u>(7,338)</u>	<u>(2,984)</u>

# *Jefferies International (Holdings) Limited*

## 5 Profit on ordinary activities before taxation

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Auditors' remuneration for the audit of the Company and Group's accounts*	45	36
Auditors' remuneration for the audit of the Group's subsidiaries*	488	439
Auditors' remuneration in relation to the regulatory audit*	17	20
Auditors' remuneration for taxation services*	43	60
Auditors' remuneration for pension audit*	-	1
Depreciation of tangible fixed assets	3,818	3,503
Goodwill amortisation	5,979	6,349
Impairment of acquisition goodwill	7,045	-
Operating lease rentals	8,541	6,745
Provisions for liabilities and charges	333	-
Currency revaluation (gain) / loss	(43)	465
Loss on disposal of tangible fixed assets	-	6

\* The Group's auditor changed from KPMG LLP to Deloitte LLP on 6 June 2010. All 2009 costs outlined in the above table were paid to KPMG LLP. The audit fee paid in relation to the audit of the Group's subsidiaries includes £42,999 incurred in cost overruns.

## 6 Remuneration of directors

The highest paid director received emoluments of £1,175,510 (2009 £2,588,276) and £9,888 in contributions (2009 £7,416) were made to a pension scheme on his behalf, for his services as a director to the Company and the Group for the period.

The emoluments of the directors (including the chairman and highest paid director) for services as director to the Company and the Group for the period were as follows:

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Emoluments	1,541	2,780
Pension contributions	17	12
	<u>1,558</u>	<u>2,792</u>

Contributions to money purchase pension schemes were made on behalf of 2 directors (2009 2) during the period. All directors benefited from qualifying third party indemnity provisions.

# *Jefferies International (Holdings) Limited*

## 7 Staff numbers and costs

The average number of employees (including directors) during the period was 649 (2009 474)

The split of these was as follows

	11 months to 30 November 2010 Number	12 months to 31 December 2009 Number
Front office staff	428	327
Administration staff	221	147
	<u>649</u>	<u>474</u>

The aggregate payroll costs for the period (including directors) were as follows

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Wages and salaries	123,178	102,844
Social security costs	15,410	16,091
Other pension costs - UK	3,649	2,510
- Overseas	346	457
	<u>142,583</u>	<u>121,902</u>

## 8 Pension costs

The Group provides pension plans for employees in most locations. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged against profits includes all defined contributions payable by the Group to the funds amounting to £3,994,975 (2009 £2,966,817). The pension contributions for November 2010, which amounted to £409,214 (December 2009 £262,055), were still to be paid over at the period end.

## 9 Taxation

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
UK corporation tax at 28% on the profit for the period / year	(93)	(4)
Adjustments in respect of prior years	15	78
Overseas tax	<u>(2,254)</u>	<u>(1,807)</u>
Total current tax	(2,332)	(1,733)
Deferred tax (note 22)		
- Origination and reversal of timing differences	(4,197)	(380)
- Adjustment to UK corporation tax in respect of prior years	2,278	-
- Effect of reduction in tax rate	<u>(864)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(5,115)</u>	<u>(2,113)</u>

# *Jefferies International (Holdings) Limited*

## 9 Taxation (continued)

### Tax reconciliation

	11 months to 30 November 2010 £000	12 months to 31 December 2009 £000
Profit on ordinary activities before taxation	6,047	4,147
Tax on profit on ordinary activities before taxation at the standard rate of corporation tax in the United Kingdom of 28%	(1,694)	(1,160)
Net adjustment to tax charge in respect of foreign dividend received	-	388
Effect of tax rates within other jurisdictions	(281)	244
Goodwill amortisation and impairment charge	(3,646)	(1,883)
Adjustments in respect of prior periods	15	78
Disallowed expenses	(520)	(574)
Restricted stock expense	2,154	(1,189)
Losses utilised	3,450	3,523
Depreciation for the period / year in excess of capital allowances	(1,010)	(214)
Other	(800)	(946)
Total current tax	<u>(2,332)</u>	<u>(1,733)</u>

## 10 Intangible assets

Group	Acquisition Goodwill £000	Software license £000	Total £000
<b>Cost</b>			
As at 1 January 2010	37,565	-	37,565
Additions in the period	<u>519</u>	<u>45</u>	<u>564</u>
As at 30 November 2010	38,084	45	38,129
<b>Amortisation</b>			
As at 1 January 2010	18,515	-	18,515
Charge for the period	5,979	3	5,982
Impairment charge	<u>7,045</u>	<u>-</u>	<u>7,045</u>
As at 30 November 2010	31,539	3	31,542
<b>Net Book Value</b>			
As at 30 November 2010	<u>6,545</u>	<u>42</u>	<u>6,587</u>
As at 31 December 2009	<u>19,050</u>	<u>-</u>	<u>19,050</u>

The remaining goodwill relates to the acquisition of Longacre Partners Limited. The goodwill relating to the acquisitions of Broadview International Limited and the Helix Group was fully impaired during the period.



# *Jefferies International (Holdings) Limited*

## 11 Tangible fixed assets

Group	Leasehold Improvements £000	Fixtures & Fittings £000	Total £000
<b>Cost</b>			
As at 1 January 2010	19,231	12,227	31,458
Additions	2,886	2,626	5,512
Exchange Adjustments	68	123	191
Transfer in from Affiliate	70	165	235
Disposals	(14)	(344)	(358)
As at 30 November 2010	22,241	14,797	37,038
<b>Depreciation</b>			
As at 1 January 2010	7,044	8,295	15,339
Charge for the period	1,604	2,214	3,818
Exchange Adjustments	57	109	166
Transfer in from Affiliate	34	71	105
Disposals	-	(274)	(274)
As at 30 November 2010	8,739	10,415	19,154
<b>Net Book Value</b>			
As at 30 November 2010	13,502	4,382	17,884
As at 31 December 2009	12,187	3,932	16,119

## 12 Fixed asset investments

Company	2010 £000	2009 £000
As at 1 January	178,683	85,062
Additions	75,534	93,621
Impairment charges	(13,836)	-
As at 30 November / 31 December	240,381	178,683

### Company

During the period ended 30 November 2010 the Company's allotted share capital was increased to 267,201,087 ordinary shares of £1 each with an additional 36,672,901 ordinary shares of £1 each being issued at par. These funds were used in part to purchase 47,053,901 new £1 ordinary shares issued by the Jefferies International Limited at par to increase the company's capital for trading purposes. The balance of the share purchase was funded by intercompany debt.

The Company increased its investment in Jefferies Hong Kong Limited and Jefferies Singapore Limited by £19,455,185 and £3,879,450 respectively. In addition, Jefferies India Private Limited was transferred into the Group during the period, the investment in this company was recorded at £4,626,078 at the balance sheet date.

## *Jefferies International (Holdings) Limited*

### 12 Fixed asset investments (continued)

The Company has investments in the following subsidiaries

Name of undertaking	Description of shares held	Proportion of value of issued shares held by the Group and Company	Principal Activity
<b>Subsidiary undertakings</b>			
Jefferies International Limited	Ordinary £1 Shares	100%	Broker / Dealer
Jefferies Investment Management Limited	Ordinary £1 Shares	100%	Investment Manager
Jefferies Singapore Limited	Ordinary £1 Shares	100%	Corporate Finance
Longacre Partners Limited	Ordinary £1 Shares	100%	Non-Trading
Jefferies Japan Limited*	Ordinary £1 Shares	100%	Broker / Dealer
Jefferies Switzerland Limited*	Registered Shares	100%	Broker / Dealer / Asset Management
Jefferies Hong Kong Limited	Ordinary £1 Share	100%	Broker / Dealer
Jefferies India Private Limited	Ordinary £1 Share	100%	Broker / Dealer
Jefferies Investment (Nominees) Limited*	Ordinary £1 Shares	100%	Nominee
Jefferies Investment (Nominees) Client Limited*	Ordinary £1 Shares	100%	Nominee
Helix Associates Limited	Ordinary £1 Shares	100%	Dormant
Asymmetric Capital Management Limited	Ordinary £1 Shares	100%	In liquidation
The Europe Company Limited	Ordinary £1 Shares	100%	Dissolved
Jefferies Randall & Dewey Limited	Ordinary £1 Shares	100%	In liquidation

Shares in the above were all held directly by Jefferies International (Holdings) Limited at the balance sheet date unless marked with an asterisk. Apart from Jefferies Singapore Limited, Jefferies Hong Kong Limited and Jefferies Switzerland Limited which are registered in Singapore, Hong Kong and Switzerland respectively, all subsidiaries are registered in England and Wales. Ownership of the Group's Asian based subsidiaries has been transferred over to this new Asian holding company since the balance sheet date.

Asymmetric Capital Management Limited and Jefferies Randall & Dewey Limited were placed in liquidation on 28 April 2010 and 26 April 2010 respectively, and the Europe Company Limited was dissolved on 7 September 2010. Helix Associates Limited is currently being prepared to be placed in liquidation.

### 13 Debtors

Group	2010 £000	2009 £000
Amounts falling due within one year		
Amounts owed by group undertakings	34,529	9,201
Securities borrowed collateral	597,300	533,924
Securities awaiting settlement	1,310,136	266,325
Reverse re-purchase collateral	674,862	-
Other trade receivables	113,406	27,335
Other debtors	49,072	27,148
Prepayments and accrued income	4,754	2,907
Deferred taxation (note 22)	11,516	10,985
	<b>2,795,575</b>	<b>877,825</b>

**13 Debtors (continued)**

<b>Company</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<hr/>		
Amounts falling due within one year		
Amounts owed by group undertakings	117,608	-
Other trade receivables	1,240	-
Other debtors	1,003	2,490
	<hr/>	<hr/>
	119,851	2,490
	<hr/>	<hr/>
<b>Group</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<hr/>		
Amounts falling due after more than one year		
Employee loans	7,991	5,908
Retention bonuses	2,580	1,656
Other debtors	1,699	1,003
Prepayments and accrued income	138	183
Deferred taxation (note 22)	15,561	18,390
	<hr/>	<hr/>
	27,969	27,140
	<hr/>	<hr/>

**14 Investment securities – available for sale**

<b>Group</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<hr/>		
As at 1 January	1,234	1,675
Foreign exchange movement	18	(12)
Impairment charges	-	(429)
	<hr/>	<hr/>
As at 30 November / 31 December	1,252	1,234
	<hr/>	<hr/>

Investment securities – available for sale represent unquoted equity securities at cost less impairment and comprise £250,000 £1 preference shares in Altius Associates Limited, 116,750 £1 preference shares in Altius Holdings Limited and eleven other smaller investments totalling £885,659

# *Jefferies International (Holdings) Limited*

## 15 Trading assets

Group	2010 £000	2009 £000
Equity shares	174,144	163,762
Debt securities – Corporate	655,776	122,796
Debt securities – Government	1,423,604	252,162
Asset-backed securities	92,276	4,223
Derivatives	14,926	117
	<u>2,360,726</u>	<u>543,060</u>

## 16 Trading liabilities

Group	2010 £000	2009 £000
Equity shares	240,873	150,223
Debt securities – Corporate	444,056	94,403
Debt securities – Government	1,939,254	237,836
Derivatives	9,377	602
	<u>2,633,560</u>	<u>483,064</u>

## 17 Creditors: amounts falling due within one year

Group	2010 £000	2009 £000
Bank loans and overdrafts	40,297	32,803
Amounts owed to group undertakings	398,209	49,216
Securities lent collateral	472,357	440,087
Securities awaiting settlement	931,424	207,733
Re-purchase collateral	416,665	-
Other trade payables	4,587	2,899
Other creditors including taxation and social security		
- Corporation tax	3,107	1,428
- Other taxes	-	35
- Social security	18,129	11,015
- Other creditors	9,426	5,767
- Accruals and deferred income	55,687	56,084
<b>Total</b>	<u>2,349,888</u>	<u>807,067</u>

Interest is charged on the bank loan and overdraft at the prevailing market rate

# *Jefferies International (Holdings) Limited*

## 17 Creditors: amounts falling due within one year (continued)

Company	2010 £000	2009 £000
Amounts owed to group undertakings	156,895	1,813
Other creditors including taxation and social security		
- Social security	9	9
- Corporation tax	93	-
- Accruals and deferred income	-	100
<b>Total</b>	<b>156,997</b>	<b>1,922</b>

## 18 Creditors: amounts falling due after more than one year

Group	2010 £000	2009 £000
Amount due to parent undertaking		
- Subordinated loan	-	40,034
- Subordinated loan notes	77,112	-
Other creditors including taxation and social security		
- Social security	-	6,484
- Accruals and deferred income	1,460	1,625
- Other creditors	4	-
	<b>78,576</b>	<b>48,143</b>

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

# *Jefferies International (Holdings) Limited*

## 19 Financial Instruments

The table below analyses the Group's financial instruments measured at fair value as at 30 November 2010, the level in the fair value hierarchy into which the fair value measurement is categorised. The Company did not hold any financial instruments at 30 November 2010 or 31 December 2009.

Group 30 November 2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<u>Trading Assets</u>				
Equity shares	167,785	2,288	4,071	174,144
Debt securities – Corporate	-	653,535	2,241	655,776
Debt securities – Government	1,048,139	375,465	-	1,423,604
Asset-backed securities	-	81,251	11,025	92,276
Derivatives	2,245	12,681	-	14,926
Total Trading Assets	1,218,169	1,125,220	17,337	2,360,726

### Trading Liabilities

Equity shares	234,124	6,749	-	240,873
Debt securities – Corporate	1,620	442,436	-	444,056
Debt securities – Government	1,420,306	518,948	-	1,939,254
Derivatives	95	9,282	-	9,377
Total Trading Liabilities	1,656,145	977,415	-	2,633,560

Group 31 December 2009	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<u>Trading Assets</u>				
Equity shares	160,263	1,714	1,785	163,762
Debt securities – Corporate	25,331	96,749	716	122,796
Debt securities – Government	52,515	199,525	122	252,162
Asset-backed securities	-	4,223	-	4,223
Derivatives	-	117	-	117
Total Trading Assets	238,109	302,328	2,623	543,060

### Trading Liabilities

Equity shares	150,087	136	-	150,223
Debt securities – Corporate	10,293	84,110	-	94,403
Debt securities – Government	151,087	86,749	-	237,836
Derivatives	-	602	-	602
Total Trading Liabilities	311,467	171,597	-	483,064

# Jefferies International (Holdings) Limited

## 19 Financial Instruments (continued)

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

Group	Equity shares	Debt securities - Corporate	Debt securities - Gov't	Asset backed securities	Total
30 November 2010	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2010	1,785	716	122	-	2,623
Total gains or losses					
In profit or (loss)	1,085	(85)	5	9	1,014
Purchases	45,606	2,082	-	11,016	58,704
Settlements	(45,815)	(309)	-	-	(46,124)
Transfers into Level 3	1,498	30	-	-	1,528
Transfers out of Level 3	(88)	(193)	(127)	-	(408)
Balance at 30 November 2010	4,071	2,241	-	11,025	17,337

Group	Equity shares	Debt securities - Corporate	Debt securities - Gov't	Asset backed securities	Total
31 December 2009	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2009	3,889	2,703	-	-	6,592
Total gains or losses					
In profit or (loss)	(119)	71	72	-	24
Purchases	3,903	5,153	66	-	9,122
Settlements	(3,539)	(5,730)	-	-	(9,269)
Transfers into Level 3	287	44	177	-	508
Transfers out of Level 3	(2,636)	(1,525)	(193)	-	(4,354)
Balance at 31 December 2009	1,785	716	122	-	2,623

## 20 Collateral

Group	2010 £000	2009 £000
Cash collateral paid for securities borrowed	597,300	533,924
Cash collateral received for securities lent	(472,357)	(440,087)
Cash collateral paid for reverse repurchase agreements	674,862	-
Cash collateral received for repurchase agreements	(416,665)	-
<b>Net cash collateral</b>	<b>383,140</b>	<b>93,837</b>
Non cash collateral pledged	142,979	25,244*
Non cash collateral received	(31,241)	-
<b>Net non-cash collateral</b>	<b>111,738</b>	<b>25,244</b>

\* The non-cash collateral pledged balance for 2009 has been amended to reflect improved information. There is no impact to the financial statements as this is purely a disclosure item.

# *Jefferies International (Holdings) Limited*

## 21 Provisions for liabilities and charges

Group	Onerous lease provision £000	Dilapidations provision £000	Legal provision £000	Total £000
As at 1 January 2010	1,883	195	-	2,078
Charged to the profit and loss account	-	-	333	333
Utilised during the period	(927)	-	-	(927)
<b>As at 30 November 2010</b>	<b>956</b>	<b>195</b>	<b>333</b>	<b>1,484</b>

### Onerous lease provision

The provision relates to an onerous lease on properties maturing in 2012, which are no longer occupied by a group undertaking

### Dilapidations provision

The provision relates to costs that are expected to be incurred in 2012 in ensuring a property is presented back to the landlord as contractually required at the end of the lease

### Legal

The provision relates to the estimated settlement cost of a legal case brought against the Group over a disputed contract

## 22 Deferred taxation asset

Group	2010 £000
As at 1 January 2010	29,377
Additions arising from acquisition	483
Profit and loss account	(2,783)
<b>As at 30 November 2010</b>	<b>27,077</b>

Deferred tax comprises

Group	2010 £000	2009 £000
Amounts falling due within one year		
Unrelieved tax losses	7,657	6,907
Social security not yet deductible for tax	-	575
Share awards not yet deductible for tax	3,353	3,503
Other timing differences	506	-
	<b>11,516</b>	<b>10,985</b>



# *Jefferies International (Holdings) Limited*

## 22 Deferred taxation asset (continued)

<b>Group</b>	<b>2010 £000</b>	<b>2009 £000</b>
Amounts falling due after more than one year		
Employee Benefit Trust contributions not yet deductible for tax	454	617
Depreciation charged in excess of capital allowances	4,169	(600)
Social security not yet deductible for tax	-	1,815
Unrelieved tax losses	-	4,259
Share awards not yet deductible for tax	10,280	12,299
Other timing differences	658	-
	<b>15,561</b>	<b>18,390</b>

The Finance (No 2) Act 2010 enacted a 1% reduction in the UK corporation tax rate to 27% with effect from April 2011

As part of the Budget announcements on 23 March 2011, a further 1% cut in the rate of UK Corporation tax to 26% was announced and substantively enacted on 29 March 2011. Finance Act 2011 received Royal Assent on 19 July 2011 and also enacted an additional 1% reduction to the UK corporation tax rate to 25% with effect from April 2012. Under UK GAAP, the effect of these further reductions will be applied to the valuation of the Company's deferred tax assets in the period in which they have been substantially enacted (i.e. the year end 30 November 2011).

## 23 Called up share capital

<b>Company and Group</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	267,201	230,528

During the period ended 30 November 2010 the Company's allotted share capital was increased to 267,201,087 ordinary shares of £1 each with an additional 36,672,901 ordinary shares of £1 being issued at par during the period.

## 24 Reserves

<b>Share Premium Account</b>	<b>Group &amp; Company £000</b>
<b>As at 1 January 2010 and 30 November 2010</b>	<b>14,610</b>

# *Jefferies International (Holdings) Limited*

## 24 Reserves (continued)

<b>Merger Reserve</b>	<b>Group £000</b>
As at 1 January 2010 and at 30 November 2010	<u>6,499</u>
<b>Capital Contribution Reserve</b>	<b>Group £000</b>
As at 1 January 2010	3,323
Movement for the financial period	<u>249</u>
As at 30 November 2010	<u>3,572</u>
<b>Capital Contribution Reserve</b>	<b>Company £000</b>
As at 1 January 2010	2,817
Movement for the financial period	<u>269</u>
As at 30 November 2010	<u>3,086</u>
<b>Other Reserves</b>	<b>Group £000</b>
As at 1 January 2010	10,999
Transfer from profit and loss account	<u>2,362</u>
As at 30 November 2010	<u>13,361</u>
<b>Profit and Loss Account</b>	<b>Group £000</b>
As at 1 January 2010	(54,630)
Profit for the financial period	932
Foreign exchange differences	2,113
Transfer to other reserves	<u>(2,362)</u>
As at 30 November 2010	<u>(53,947)</u>
<b>Profit and Loss Account</b>	<b>Company £000</b>
As at 1 January 2010	(68,704)
Loss for the financial period*	<u>(12,958)</u>
As at 30 November 2010	<u>(81,662)</u>

\* £13,835,680 relating to impairment of the Company's fixed asset investment was recognised in the period

# *Jefferies International (Holdings) Limited*

## 25 Reconciliation of movements of shareholders' funds

Group	2010 £000	2009 £000
Opening shareholders' funds	211,329	115,830
Profit for the financial period	932	2,034
Issue of ordinary shares	36,673	91,657
Movement on capital contribution reserve	249	2,836
Movement on other reserves	2,362	2,780
Transfer to other reserves	(2,362)	(1,377)
Foreign exchange differences	2,113	(2,431)
<b>Closing shareholders' funds</b>	<b>251,296</b>	<b>211,329</b>

Company	2010 £000	2009 £000
Opening shareholders' funds	179,251	83,568
(Loss) / profit for the financial period / year	(12,958)	1,209
Issue of ordinary shares	36,673	91,657
Movement on capital contribution reserve	269	2,817
<b>Closing shareholders' funds</b>	<b>203,235</b>	<b>179,251</b>

## 26 Commitments under operating leases

Group	2010			2009		
	Land & buildings £000	Other £000	Total £000	Land & buildings £000	Other £000	Total £000
Operating leases which expire						
Within one year	67	1	68	170	33	203
In two to five years	5,442	199	5,641	3,488	234	3,722
After five years	2,832	-	2,832	2,751	-	2,751
	<b>8,341</b>	<b>200</b>	<b>8,541</b>	<b>6,409</b>	<b>267</b>	<b>6,676</b>

## 27 Share-based payments

During the period £9,252,412 (2009 £10,857,715) was charged to the profit and loss account in respect of equity-settled share-based payment transactions. This expense was based on the fair value of the share based payment transactions when contracted. All of the expense arose under employee share awards made within the Jefferies' reward structures.

### *Jefferies Incentive Compensation Plan*

Under the Jefferies Incentive Compensation Plan, there are three areas of compensation. These are Restricted Stock Awards, the Employee Stock Purchase Plan and Restricted Stock Units. The aim of the plan is to provide employees with a proprietary interest in the growth and performance of the Group so to better align the interests of the employees with the interest of the Jefferies Group, Inc. shareholders.

#### *a) Restricted Stock Awards ('RSA')*

RSAs are made to eligible employees for recruitment and retention purposes. The awards vest and become non-forfeitable at a future date determined at the time of the grant of the award. All unvested share awards are forfeited upon the cessation of an individual's employment, with all related charges reversed to the profit and loss account.

#### *b) Employee Stock Purchase Plan ('ESPP')*

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

#### *c) Restricted Stock Units ('RSU')*

RSUs are made to eligible employees for recruitment or retention purposes. An approved proportion of the awards become non-forfeitable on future anniversaries of grant date over the vesting period. RSUs are forfeitable upon cessation of an individual's employment for those awards not held past the predetermined grant date anniversary. All unvested share awards are forfeited upon the cessation of an individual's employment, with all related charges reversed to the profit and loss account.

The Jefferies Incentive Compensation Plan awards outstanding are as follows:

a) RSAs	2010 Number	2009 Number
Outstanding at 1 January	3,890,671	3,693,698
Transfer in from Affiliate	28,649	25,096
Additional awards granted during the period / year	1,764,624	894,504
Vested and released to employees during the period / year	(948,500)	(688,032)
Forfeited by employees during the period / year	(83,691)	(34,595)
<b>Outstanding at 30 November / 31 December</b>	<b>4,651,753</b>	<b>3,890,671</b>

# *Jefferies International (Holdings) Limited*

## 27 Share-based payments (continued)

b) ESPPs	2010 Number	2009 Number
Outstanding at 1 January	-	-
Additional awards granted during the period / year	74	130
Vested and released to employees during the period / year	(74)	(130)
<b>Outstanding at 30 November / 31 December</b>	<b>-</b>	<b>-</b>
 c) RSUs	 2010 Number	 2009 Number
Outstanding at 1 January	1,252,847	971,019
Transfer in from Affiliate	24,934	8,482
Additional awards granted during the period / year	190,585	391,182
Vested and released to employees during the period / year	(166,902)	(3,958)
Forfeited by employees during the period / year	(25,424)	(113,878)
<b>Outstanding at 30 November / 31 December</b>	<b>1,276,040</b>	<b>1,252,847</b>

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

There were no modifications to the share awards arrangement during the period.

The weighted average fair value of RSAs granted in 2010 was USD23.73 (2009: USD23.02).

The weighted average fair value of shares granted under the ESPP in 2010 was USD16.23 (2009: USD15.86).

The weighted average fair value of RSUs granted in 2010 was USD22.30 (2009: USD26.70).

## **28 Business and financial risk management policies**

### **Group**

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

The directors have reviewed the financial statements and are confident that the fair value of the net assets is not substantially different to the values used in the financial statements.

The Group's approach to managing its key financial risks is described below -

### *Market risk*

Market risk is the risk of loss from adverse changes in instrument values and/or earnings fluctuations arising from changes in market factors such as interest rates, exchange rates, and equity and commodity prices.

Market Risk Management is an independent function that monitors all trading activities. Gross and net exposures of positions at account level are monitored by the Group daily against pre-defined limits. In addition, risk reports are generated and monitored every day including Value at Risk (VaR), Stress Test and Sensitivity reports. Key risks, overall level of risk and significant changes in risk profile are reported to senior management. Market Risk also assists Financial Control by providing Independent Price Verification for valuations where external prices are not readily available.

Risk Management uses a wide range of techniques to manage the market risk, including VaR methodologies, for internal reporting purposes. VaR is a measure of potential change in value of a position given a specified time horizon (e.g. 1 day) and confidence level (e.g. 95%, which implies that there is only an estimated 5% probability that a one-day loss will exceed the calculated VaR).

Risk Management recognises that there are limitations in using VaR as an isolated measurement of market risk. Examples of the limitations include the fact that the specific historical market data used in the VaR calculation may not be the best estimate of future risk factor movements, and that market movements that exceed the relevant confidence level of VaR may not be captured. Hence, Risk Management uses other techniques to manage market risk including exposure limits, sensitivity limits, stress testing and scenarios testing.

The Jefferies Group Market Risk Management Committee meets on a weekly basis to discuss the risk profile of the firm in detail. In addition, business or market trends and their potential impact on the risk profile are discussed. The Market Risk Management Committee sets limits on at least an annual basis and reviews the limit status. In addition, limit excesses (approved, corrected or outstanding) are reviewed. The committee comprises the Chief Executive and Chairman, the Chairman of the Executive Committee, the Chief Financial Officer and the Chief Risk Officer. The Jefferies International Limited Risk Oversight Committee meets on a monthly basis to discuss the risk profile of JIL in detail and to review new businesses and services when required. The committee comprises all key control groups in JIL including Senior Management, Finance, Treasury, Operations, Compliance, Legal, Credit and Market Risk.

The market risk infrastructure and process is common across the Jefferies Group, thus reflecting the integrated nature of the Jefferies market risk management function. Within that framework, JIL's Risk Management designs and develops risk management approaches tailored to the specific risk profiles in JIL's various business activities. As the European business continues to grow, this approach will be subject to ongoing review.

**28 Business and financial risk management policies (continued)**

The VaR analysis of Jefferies International Limited as at 30 November 2010 is as follows

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Equity risk	<b>405</b>	587
FX risk	<b>15</b>	520
IR risk	<b>1,038</b>	296
Diversification	<b>(481)</b>	(493)
Total VaR	<b>977</b>	910

*Credit Risk*

Credit risk is the risk of loss due to adverse changes in counterparty's credit worthiness or its ability or willingness to meet its financial obligations under the terms and conditions of a financial contract. The credit risk appetite of the Group remains relatively limited. For trading, sales and equity finance activities credit risk principally relates to delivery versus payment settlement and collateralised stock borrowing and lending arrangements. Credit risk is managed in a number of ways, as follows:

1 All new counterparties must comply with a detailed "Know Your Client" (KYC) account opening procedure review which verifies their identity and categorises them into one of three risk categories – Low/Medium/High & Politically exposed. Counterparties in risk categories Medium/High & Politically exposed are subject to enhanced due diligence. All KYC reviews are updated regularly, the frequency dictated by the counterparty's relevant risk category.

2 All stock borrowing and lending transactions are collateralised, and all repo / reverse repo transactions are margined, are predominantly undertaken with entities that are - or are guaranteed by, or are parts of groups that are - rated investment grade, regulated financial institutions or central clearing institutions, and are subject to completion of a detailed counterparty credit review which approves specific credit limits controlling the gross, MTM, and Margin value of securities subject to borrowing / lending or purchase / repurchase transactions, and other key trading terms. Trading may commence only after execution of market standard (typically GMSLA, or GMRA) agreements as appropriate, permitting appropriate netting as approved by relevant Legal and Credit Officers. All stock borrowing / lending and purchase / repurchase positions are reviewed against approved limits, marked to market, and subject to written approval by both Business Unit and Credit Risk Managers on a daily basis.

3 Specific credit risk limits are not assigned to counterparties that settle on a DVP basis.

For the asset management business the precise terms of the fee arrangements are specified in the Fund Prospectus which clearly defines the basis of calculation of the fees and terms of payment. For investment banking fees payment terms are agreed as part of the client engagement. The precise terms are negotiated as part of the overall commercial terms of the deal and take into account factors such as current and/or projected earnings, the size of the exposure and the results of the due diligence on the client.

**28 Business and financial risk management policies (continued)**

At the reporting date the maximum exposure to Credit Risk was as follows

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>104,811</b>	67,253
Securities borrowed collateral	<b>597,300</b>	533,924
Cash collateral paid for reverse re-purchase agreements	<b>674,862</b>	-
Securities awaiting settlement	<b>1,310,136</b>	266,325
Other trade receivables	<b>113,406</b>	27,335
Other debtors	<b>53,351</b>	28,151
	<b>2,853,866</b>	922,988

Cash at bank is deposited with a range of international banks and clearing institutions at the balance sheet date £103.2 million or 98.4% (2009 £66.6 million or 99.04%) by value of cash deposits were placed with banks and clearing institutions that were – or were guaranteed by or parts of groups that were – rated investment grade

Securities borrowed collateral is placed with counterparties in respect of the value of securities borrowed from those counterparties at the date of the balance sheet £569.1 million or 95.3% (2009 £533.9 million or 100%) of such collateral was placed with counterparties that were – or were guaranteed by or parts of groups that were – rated investment grade

Reverse re-purchase agreement collateral is placed with counterparties in respect of the value of securities borrowed from those counterparties at the date of the balance sheet £674.9 million or 100% (2009 £nil) of such collateral was placed with counterparties that were – or were guaranteed by or parts of groups that were – rated investment grade

Securities awaiting settlement of £1,310.1 million comprises both trades pending settlement and trades that are overdue for settlement. Unless pre-approved, settlement is conducted on a delivery versus payment basis where the securities are exchanged simultaneously for cash. The risk facing the Group is that both the counterparty fails and that the price of the securities moves adversely. For the Group to incur a loss both events need to occur simultaneously. The Credit risk department monitors the level of exposure on a daily basis versus acceptable levels. Additionally the operations control department monitors the number of trades overdue for settlement versus acceptable levels. Senior management receives detailed and summary information on securities awaiting settlement on a daily basis.

Other debtors of £53.4 million comprises of amounts due from various different sources which includes margin deposit bonds and investment banking fees receivable. Management monitors outstanding investment banking fees receivable closely and liaises with the client facing staff to ensure that fees are collected in a timely manner. However, management makes a provision for investment banking fees receivable once they reach 90 days overdue. The provision percentage increases with the age of the outstanding balance. Other receivables are monitored on a case by case basis as and when they arise and management decides on how to treat the recoverability of each receivable as and when it becomes overdue.



# *Jefferies International (Holdings) Limited*

## 28 Business and financial risk management policies (continued)

The ageing analysis of amounts exposed to Credit risk is as follows

	Not past due	Past due 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91+ days	Total
	£000	£000	£000	£000	£000	£000
<b>30 November 2010</b>						
Cash at bank and in hand	104,811	-	-	-	-	104,811
Securities borrowed collateral	597,300	-	-	-	-	597,300
Reverse re-purchase collateral	674,862	-	-	-	-	674,862
Securities awaiting settlement	1,310,013	-	15	6	102	1,310,136
Other trade receivables	109,171	930	1,866	1,120	319	113,406
Other debtors	51,153	32	-	1	2,165	53,351
	<b>2,847,310</b>	<b>962</b>	<b>1,881</b>	<b>1,127</b>	<b>2,586</b>	<b>2,853,866</b>
	Not past due	Past due 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91+ days	Total
	£000	£000	£000	£000	£000	£000
<b>31 December 2009</b>						
Cash at bank and in hand	67,253	-	-	-	-	67,253
Securities borrowed collateral	533,924	-	-	-	-	533,924
Securities awaiting settlement	266,002	60	30	31	202	266,325
Other trade receivables	25,949	1,386	-	-	-	27,335
Other debtors	21,776	62	719	745	4,849	28,151
	<b>914,904</b>	<b>1,508</b>	<b>749</b>	<b>776</b>	<b>5,051</b>	<b>922,988</b>

- Foreign currency risk arises where a transaction is made in a currency other than the functional currency of the subsidiary undertaking. In order to minimise the exposure to exchange rate fluctuations, currency risk is managed at the point the income or expense is recognised in the financial accounts by the exposure being sold in the spot currency market.
- Interest rate risk arises where a change in the market interest rate results in the change in the value of an interest rate sensitive financial instrument. This risk is addressed by the Group through on-going monitoring of value at risk (VaR) and interest rate sensitivity analysis. The interest rate VaR as at 30 November 2010 is disclosed within the table on page 37.
- Liquidity risk is the risk of the Group being unable to secure adequate funding to meet current obligations. The liquidity risk is deemed to be limited for the Group as funding is provided by the US parent undertaking should it be required. The table below shows the liquidity analysis of the Group's financial liabilities.

# *Jefferies International (Holdings) Limited*

## 28 Business and financial risk management policies (continued)

30 November 2010	On demand	Due within 3 months	Due in 3-12 months	Due in two to five years	Due after five years	Total
	£000	£000	£000	£000	£000	£000
Trading liabilities	2,633,560	-	-	-	-	2,633,560
Securities lent collateral	472,357	-	-	-	-	472,357
Re-purchase collateral	416,665	-	-	-	-	416,665
Other creditors	1,458,366	745	1,755	-	-	1,460,866
Creditors' amounts falling due after one year	-	-	-	77,840	736	78,576
Provisions for liabilities and charges	-	179	538	767	-	1,484
<b>Total liabilities</b>	<b>4,980,948</b>	<b>924</b>	<b>2,293</b>	<b>78,607</b>	<b>736</b>	<b>5,063,508</b>

- Securities lent collateral of £472.4 million arises from collateral required for securities lent under securities lending contracts. These contracts typically have no fixed maturity date and the securities lent can be recalled on demand.

31 December 2009	On demand	Due within 3 months	Due in 3-12 months	Due in two to five years	Due after five years	Total
	£000	£000	£000	£000	£000	£000
Trading liabilities	483,064	-	-	-	-	483,064
Securities lent collateral	440,087	-	-	-	-	440,087
Other creditors	366,980	-	-	-	-	366,980
Creditors' amounts falling due after one year	-	-	-	46,988	1,155	48,143
Provisions for liabilities and charges	-	-	208	636	1,234	2,078
<b>Total liabilities</b>	<b>1,290,131</b>	<b>-</b>	<b>208</b>	<b>47,624</b>	<b>2,389</b>	<b>1,340,352</b>

## 29 Clients' money

At 30 November 2010, amounts held by the Group on behalf of the clients in accordance with the Clients Asset Rules of the Financial Services Authority amounted to £2,404,237 (2009 £2,430,343). The Group has no beneficial interest in these amounts and accordingly they are not shown on the face of the balance sheet.

## 30 Related party transactions

Advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions or balances with Jefferies Group, Inc. or any other group or associated undertakings, as the consolidated accounts of Jefferies Group, Inc. in which the Group is included are publicly available. There were no related party transactions other than those covered under the above exemption either in the period to 30 November 2010 or in the prior year.

### **31 Immediate and ultimate holding company**

The immediate and ultimate holding company is Jefferies Group, Inc, which is incorporated in the United States of America. The Group accounts are available from 520 Madison Avenue, New York, New York 10022 and at [www.jefferies.com](http://www.jefferies.com). This company also heads the largest group in which these results are incorporated.

### **32 Post balance sheet events**

In April 2011 Jefferies Group, Inc announced that it had entered into an agreement to acquire Prudential Bache's Global Commodities Group "GCG" from Prudential Financial, Inc for USD430 million. GCG has a United Kingdom based subsidiary, Bache Commodities Limited, which will become part of the Group once the transaction is finalised.

In light of Jefferies Group's expansion into Asia the decision has been taken by the Board to set up an Asian holding company which is 100% owned by the ultimate parent company, Jefferies Group, Inc. Ownership of the Group's Asian based subsidiaries has been transferred over to this new Asian holding company since the balance sheet date.

Employees of Jefferies International Limited have waived remuneration after the period end and instructed the company to pay this waived remuneration into the deferral structures. The contributions into the deferred compensation structures after the period end were £7,958,703 paid into the Employee Financial Retirement Benefit Scheme and £40,000 paid into the Employee Benefit Trust.

### **33 Capital Management**

The Capital management policy in the Group is to maintain a strong capital base. This is primarily managed at the JIL regulated entity level where regulatory capital is monitored daily against the Financial Services Authority ("FSA") capital requirements. There have been no material changes in the Group's management of capital during the period.

The following entities are regulated and subject to the FSA capital adequacy requirements -

Jefferies International Limited

Jefferies Investment Management Limited

These entities and the Group have fully complied with the regulatory capital reporting requirements throughout the period.

The Group reported the following consolidated components of regulatory capital

	2010 £000	2009 £000
Tier 1 capital (share capital and reserves after regulatory deductions)	238,101	191,805
Tier 3 capital (short term subordinated debt)	76,860	45,034
Total Regulatory Capital	314,961	236,839