

*Company Registration No 3977886*

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

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

**For the year ended 30 November 2012**

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# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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# Jefferies International (Holdings) Limited

## DIRECTORS' REPORT

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

### 1. Principal activities

Jefferies International (Holdings) Limited "the Company" acts as an intermediate holding company for the European activities of Jefferies Group LLC (formerly Jefferies Group, Inc) a US based independent, full service global securities and investment banking firm serving companies and their investors

The "Group" comprises the Company and its subsidiaries. The subsidiaries are detailed in note 12. The principal operating subsidiaries within the Group are Jefferies International Limited "JIL" and Jefferies Bache Limited "JBL". The Group has continued to operate as a full service investment banking firm, including equities, fixed income, commodities and investment banking and the Group has acted, through its network of offices, as a representative for its US holding company (see note 33)

The Jefferies Group provide research and trade execution in equity, fixed income, foreign exchange, futures and commodities markets, wealth and asset management services, and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalisation and other advisory services

A number of the Group's subsidiaries JIL, JBL and Jefferies Investment Management Limited are regulated in the United Kingdom. As at 30<sup>th</sup> November 2012 the regulator was the Financial Services Authority (FSA), however since 1<sup>st</sup> April 2013 following Legal Cut Over, the firm is now regulated by the Financial Conduct Authority (FCA). The operations of the Group's branches in France, Germany, Italy, Dubai and subsidiary in Switzerland are regulated by the relevant authorities in those countries. JIL is a member of the London Stock Exchange, Euronext, Deutsche Boerse (Xetra platform), Oslo Bors, SIX Swiss Exchange, Borsa Italia, BATS Europe (MTF), Budapest Stock Exchange and Chi-X (MTF). JBL is a member of the London Metal Exchange, Eurex and ICE.

JIL currently operates in the primary sovereign debt markets or their equivalent, participating in debt issuance for the governments of Belgium (recognised dealer), the Netherlands, the Republic of Portugal, Hungary, Germany and The Republic of Slovenia.

JIL is also a dealer for the European Financial Stability Fund (EFSF) and a Gilt-edged Market Maker for The Lords Commissioners of Her Majesty's Treasury acting through the United Kingdom Debt Management Office (Retail GEMM).

As at 30 November 2012, the Group had 957 employees representing approximately 24% of Jefferies Group's global workforce.

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

### 2. Business review

The Group has recorded a consolidated loss for the financial year of £27,232,323 (2011 profit of £56,201,329) which will be transferred to reserves.

JIL experienced a challenging year with continuing weak market conditions for both equity trading and investment banking within Europe which resulted in a loss for 2012 of £25,364,422. The Board regularly reviews and assesses the Group's businesses with the primary aim of returning to the profitability levels achieved in previous years.

Jefferies (Schweiz) AG (JSA), JIL's Swiss incorporated subsidiary, continues to focus on the sales, trading and investment management of global convertible bonds. JSA achieved a profit after tax for the year of CHF 0.8 million which is consolidated in these financial statements.

# Jefferies International (Holdings) Limited

## DIRECTORS' REPORT (continued)

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### 2. Business review (continued)

JBL achieved a solid performance with a profit after tax of £8,849,037 in spite of the adverse trading conditions experienced during the year

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

Group	2012 £000	2011 £000
Turnover	343,669	390,342
(Loss) / profit for the financial year	(27,232)	56,201
Shareholders' funds	277,334	311,513

#### Key financial performance indicators

Operating profit margin	1%	24%
Return on capital employed (ROCE)	-	12%
Current ratio	113%	120%

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

### 3. Subsequent events

On 1 March 2013, Jefferies Group, Inc (formerly the Company's ultimate parent company) was converted into a Delaware limited liability company and renamed Jefferies Group LLC. Simultaneously Jefferies Group LLC became a wholly-owned subsidiary of Leucadia National Corporation ("Leucadia") through a series of merger transactions (see note 33)

In April 2013 the Board approved and implemented a restructuring of the Group's capital. The restructuring served to significantly strengthen the Group's capital base (see note 34)

In May 2013 JBL recognised an onerous lease provision and fixed asset impairment as the result of vacating office premises (see note 34)

### 4. Dividends

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

### 5. Going concern

Whilst in the current economic environment there is inherent uncertainty about the level of future revenue streams, the directors have a reasonable expectation that there is both the intent and adequate resources, both in terms of liquidity and regulatory capital, for the Group to continue in operational existence for the foreseeable future. This assessment is made taking into account the continuing support of the Group's ultimate parent as evidenced by the capital restructuring in April 2013 when the Group's regulatory capital base was both increased and moved onto longer terms (see note 34)

The Group's shareholder funds have decreased from £311.5 million in 2011 to £277.3 million in 2012; however, the directors believe the Group remains adequately capitalised. The Group had non-segregated cash of £405.8 million as at 30 November 2012 (2011: £322.8 million). Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

# Jefferies International (Holdings) Limited

## DIRECTORS' REPORT (continued)

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### 6. Financial risk management objectives and policies

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 30 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 Group and wider Jefferies Group are 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 and floods, and technology based failures

### 7. Directors

The directors who held office during the year were as follows

		<u>Date of Appointment</u>
M R Bailey	<i>(executive director)</i>	2 October 2012
T G Barker	<i>(non-executive director)</i>	
T E Cronin	<i>(executive director)</i>	1 September 2012
H M Tucker	<i>(executive director)</i>	
D W Weaver	<i>(executive director)</i>	

The directors have no interest in the Company's shares. At the balance sheet date certain executive directors participated in the former ultimate parent company's, Jefferies Group, Inc., share-based incentive schemes. In 2013 certain directors may participate in a share-based incentive scheme managed by the new ultimate parent company, Leucadia

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

### 8. Directors' views of the capital adequacy and liquidity

The directors are confident that the Group and the Company are adequately capitalised as at 30 November 2012 and have been adequately capitalised throughout the year ended 30 November 2012. At 30 November 2012, calculated in accordance with UK regulatory rules, the Group Financial Resources Surplus was £681 million, Group Financial Resources being 243 % of the Financial Resources Requirement. The capital restructuring in April 2013 has further improved the Group's capital position (see note 34)

The directors are confident that adequate funding is available as and when required from Jefferies Group LLC after taking account of Jefferies Group LLC's cash and funding position (see additional information on page 51)

# Jefferies International (Holdings) Limited

## DIRECTORS' REPORT (continued)

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### 9. Remuneration Policy

The Group's remuneration policy is designed to fairly reward and incentivise employees taking into consideration factors including their individual performance and the performance of the Group as a whole. The Group's business strategy is to provide quality services to its clients, to increase revenues, to grow market share and to provide a return to its shareholders and other stakeholders. The Group's compensation policies and practices are designed to be flexible to support these objectives in a highly competitive market, rewarding excellent performance and contribution while managing risk effectively.

The compensation packages offered to the executive officers of the Boards 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 awards (whether restricted stock or restricted cash) 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

### 10. Corporate governance

The Company is committed to high standards of corporate governance. The Company's Board comprises four executive directors and one independent non-executive director. The Company's purpose is to act as an intermediate holding company and its principal operating subsidiaries are JIL and JBL (each registered in the UK and regulated by the FCA). Each of the Boards of JIL and JBL are supported in their activities by three committees: (1) Audit Committee, (2) Risk Management Committee, and (3) Operating Committee. Each committee has its own charter detailing, amongst other matters, their respective memberships, duties and responsibilities and is run on a joint basis representing each of JIL and JBL. The members of each of these committees are appointed by each of the JIL Board and JBL Board acting jointly. The corporate governance structure for JIL and JBL also includes a number of sub-committees: Balance Sheet and Liquidity Risk Management Committee, New Business Committee, Independent Price Verification Committee, Risk Committee and a Client Assets Committee.

### 11. 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.

### 12. 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 in addition, there are regular updates from senior management both in the US and in the UK on how the Jefferies Group is performing internationally.

The interest of staff in the Jefferies 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 endeavours to comply at all times with employment law and best practice in the countries in which it is represented.

**Jefferies International (Holdings) Limited**  
**DIRECTORS' REPORT** (continued)

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**13. Charitable and Political donations**

Charitable donations amounting to £7,462 (2011 £5,363) were made by the Group during the financial year. There were no political donations made within the financial year (2011 £nil).

**14. 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 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.

Deloitte LLP were the Group's appointed statutory auditor as at 30 November 2012. On 22 April 2013 PricewaterhouseCoopers LLP replaced Deloitte LLP as statutory auditor for all Jefferies Group companies. Deloitte LLP resigned as statutory auditor of the Company on 18 July 2013.

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



H M Tucker  
Director

18 July 2013

Vintners Place  
68 Upper Thames Street  
London EC4V 3BJ

**Jefferies International (Holdings) Limited**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

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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 United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Group and the 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**

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We have audited the financial statements of Jefferies International (Holdings) Limited for the year ended 30 November 2012 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 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 30 November 2012 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

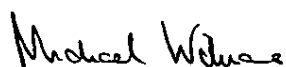
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JEFFERIES  
INTERNATIONAL (HOLDINGS) LIMITED (continued)**

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**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

18 July 2013

# Jefferies International (Holdings) Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 November 2012

	Notes	2012 £000	2011 £000
<b>Group turnover</b>			
Existing operations		343,669	364,640
Acquisitions		-	25,702
	2	<u>343,669</u>	<u>390,342</u>
<b>Administrative expenses</b>		<u>(341,739)</u>	<u>(297,134)</u>
<b>Group operating profit</b>			
Existing operations		1,930	85,653
Acquisitions		-	7,555
		<u>1,930</u>	<u>93,208</u>
Gain on disposal of investment	12	-	6,469
Interest receivable and similar income	3	778	1,304
Interest payable and similar charges	4	<u>(39,926)</u>	<u>(22,587)</u>
<b>(Loss) / profit on ordinary activities before taxation</b>	5	<u>(37,218)</u>	<u>78,394</u>
Tax credit / (charge) on (loss) / profit on ordinary activities	9	<u>9,986</u>	<u>(22,193)</u>
<b>(Loss) / profit for the financial year</b>	27	<u><u>(27,232)</u></u>	<u><u>56,201</u></u>

The notes on pages 13 to 50 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 profit attributable to the Company for the year is £4,196,278 (2011 £11,654,864)

# Jefferies International (Holdings) Limited

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 November 2012

	Note	2012 £000	2011 £000
<b>Retained (loss) / profit for the financial year</b>		(27,232)	56,201
Currency translation differences	27	(4,160)	3,582
Fair value movement on available for sale financial instruments	27	(336)	308
Actuarial (loss) / gain recognised in pension scheme	27	(3,378)	268
Current tax credit on special pension contribution	27	753	1,829
Movement in deferred tax relating to pension liability	27	(291)	(2,059)
Other movement in pension reserve	27	465	137
Disposal of Asian subsidiaries	27	-	(49)
<b>Total recognised (losses) / gains relating to the financial year</b>		<b>(34,179)</b>	<b>60,217</b>

The notes on pages 13 to 50 form part of these financial statements

# Jefferies International (Holdings) Limited

## CONSOLIDATED BALANCE SHEET

As at 30 November 2012

		2012	2011
	Notes	£000	£000
<b>Fixed assets</b>			
Intangible assets	10	11	26
Goodwill	10	-	3,397
Negative goodwill	10	-	(6,244)
Tangible assets	11	23,010	20,801
Investments – available for sale	14	2,814	3,048
Insurance assets	17	11,620	12,079
		<u>37,455</u>	<u>33,107</u>
<b>Current assets</b>			
Cash at bank and in hand		442,771	360,609
Trading assets	15	2,851,001	1,740,596
Physical commodities	18	5,240	12,409
Debtors			
Amounts falling due within one year	13	3,035,072	2,127,562
Amounts falling due after more than one year	13	41,283	28,650
		<u>6,375,367</u>	<u>4,269,826</u>
<b>Creditors: amounts falling due within one year</b>			
Trading liabilities	16	(1,861,276)	(1,164,912)
Other creditors	19	(3,778,457)	(2,384,845)
		<u>(5,639,733)</u>	<u>(3,549,757)</u>
<b>Net current assets</b>		<u>735,634</u>	<u>720,069</u>
<b>Total assets less current liabilities</b>		<u>773,089</u>	<u>753,176</u>
<b>Creditors: amounts falling due after more than one year</b>			
Pension liability	20	(480,010)	(428,417)
Pension liability	21	(14,432)	(12,484)
Provisions for liabilities and charges	24	(1,313)	(762)
		<u>(485,755)</u>	<u>(441,663)</u>
<b>Net assets</b>		<u>277,334</u>	<u>311,513</u>
<b>Capital reserves</b>			
Called up share capital	26	267,201	267,201
Share premium account	27	14,610	14,610
Merger reserve	27	6,499	6,499
Capital contribution reserve	27	3,499	3,523
Translation reserve	27	4,305	10,274
Other reserves	27	15,166	13,669
Profit and loss account	27	(33,946)	(4,263)
		<u>277,334</u>	<u>311,513</u>
<b>Shareholders' funds</b>	27	<u>277,334</u>	<u>311,513</u>

The notes on pages 13 to 50 form part of these financial statements. These financial statements were approved by the Board of Directors on 18 July 2013 and were signed on its behalf by



H M Tucker  
Director

# Jefferies International (Holdings) Limited

## COMPANY BALANCE SHEET

As at 30 November 2012

	Notes	2012 £000	2011 £000
<b>Fixed assets</b>			
Intangible assets	10	-	1,113
Investments	12	425,967	408,939
		<u>425,967</u>	<u>410,052</u>
<b>Current assets</b>			
Cash at bank and in bank		1,642	1,626
Debtors			
Amounts falling due within one year	13	105,978	110,993
Amounts falling due after more than one year	13	1,785	-
		<u>109,405</u>	<u>112,619</u>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	19	<u>(125,522)</u>	<u>(113,093)</u>
<b>Net current liabilities</b>		<u>(16,117)</u>	<u>(474)</u>
<b>Total assets less current liabilities</b>		409,850	409,578
<b>Creditors: amounts falling due after one year</b>	20	(190,764)	(194,688)
<b>Net assets</b>		<u>219,086</u>	<u>214,890</u>
<b>Capital reserves</b>			
Called up share capital	26	267,201	267,201
Share premium account	27	14,610	14,610
Capital contribution reserve	27	3,086	3,086
Profit and loss account	27	<u>(65,811)</u>	<u>(70,007)</u>
<b>Shareholders' funds</b>	27	<u>219,086</u>	<u>214,890</u>

The notes on pages 13 to 50 form part of these financial statements

These financial statements were approved by the Board of Directors on 18 July 2013 and were signed on its behalf by



H M Tucker  
Director

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are described below. There have been three presentational changes made to the 2011 balances to assist comparison: cash margin balances are included within the collateral disclosure (note 23), the insurance asset and intercompany receivable balances have been included within the credit risk analysis (note 30) and the funding facility provided by Jefferies Group, LLC is reclassified from “on demand” to “due in 3 to 12 months” within the liquidity risk analysis (note 30). The accounting policies have been applied consistently throughout this year and the prior year.

#### *Basis of preparation*

The financial statements have been prepared in accordance with the Companies Act 2006, UK Generally Accepted Accounting Practice (UK GAAP) and under the historical cost convention, except for trading assets and liabilities, insurance asset, physical commodities and certain components of the investments – available for sale, as noted below.

#### *Basis of consolidation*

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 November each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

#### *Going concern*

The financial statements are prepared on the going concern basis taking into account the continuing support from the Company’s US holding company, Jefferies Group LLC. The risks and uncertainties facing the Company are discussed in the Directors’ Report and in note 30. The Group’s shareholder funds have decreased from £311.5 million in 2011 to £277.3 million in 2012; however, the directors believe the Group remains adequately capitalised. The Group had non-segregated cash of £405.8 million as at 30 November 2012 (2011: 322.8 million). Taking these factors into account, the directors consequently present these financial statements on the going concern basis.

#### *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 LLC, which presents such a consolidated cash flow statement in its own publicly available financial statements.

#### *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 clients’ assets. 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 on an accruals basis.

#### *Service fee income*

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

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES (continued)

#### *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

#### *Dividend income from subsidiaries*

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

#### *Other Income*

Revenues can be generated from non-operating sources (e.g. sub-let revenue on vacant office space). These non-core revenues are accounted for on a historical cost and accruals basis.

#### *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.

#### *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 FRS 26.

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

#### *Financing transactions, stock borrowing and lending*

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

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

To ensure that the market value of the underlying collateral remains sufficient, collateral is generally valued daily and the 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 netting 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 certain repurchase and reverse repurchase agreement balances with the same counterparty on the Balance Sheet.

Securities borrowed and loaned transactions are recorded at the amount of cash collateral advanced or received plus accrued interest. Securities borrowed transactions require the 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, letter of credit or other securities for securities loaned transactions.



# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES (continued)

#### *Financing transactions, stock borrowing and lending (continued)*

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 received or relinquished.

#### *Investments – “available for sale”*

Available for sale assets are non-derivative financial assets that are designated 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 a separate component of equity 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 value of seats held in commodity exchanges represents the fair value of exchange market memberships held by the Group in the London Metal Exchange.

#### *Derivatives*

Derivatives are held for both hedging and trading purposes and arise from customer and proprietary trading activities. All trading book positions held by the Group are carried at fair value in the Balance Sheet with changes in realised and unrealised gains and losses recorded in the Profit and Loss Account.

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

#### *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 when it

- currently has a legally enforceable right to offset 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 is 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.

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

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES (continued)

#### *Fair value measurement*

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

#### *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 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 those 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 at 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.

#### *Impairment*

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

#### *Insurance Assets*

Insurance assets relate to contracts that meet the definition of an insurance contract under FRS 26 'Financial Instruments – Recognition and measurement' and are outside of the scope of FRS 25, FRS 26 and FRS 29. The insurer accepts the insurance risk from the Group and an asset is recognised for this benefit to offset the future liability of the pension scheme provided for the employees of Jefferies Bache Limited's German branch.

Gains and losses arising from changes in the insurance asset's fair value are included as a separate component of equity until the asset is realised, at which point the cumulative gain or loss is transferred to the Profit and Loss Account.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES (continued)

#### *Physical commodities*

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

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

Fixed asset investments and shares in subsidiary undertakings, held by the Company, are recorded at cost less any provisions for impairment in value.

#### *Fixed assets and depreciation*

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

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

#### *Assets under construction*

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

#### *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. If the fair value of the net assets acquired exceeds the cost of acquisition then negative goodwill will be recognised on the Balance Sheet. In accordance with FRS 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 date of the acquisition in question. Goodwill is subject to impairment review in accordance with FRS 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 cash flows from an entity with the carrying value of its net assets including goodwill.

#### *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. Provision is made for any impairment in asset 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.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES (continued)

#### *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

#### *Foreign currencies*

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

The Group, through its subsidiary Jefferies Bache Limited, participated during the year in a defined benefit scheme in Germany. The assets of the scheme are measured at their market value at the balance sheet date. The liabilities are measured using the projected unit method with a discount rate equal to the rate of return on an AA rated corporate bond of equivalent term and currency. The extent to which the scheme's assets exceed its liabilities is shown as a surplus in the balance sheet to the extent that a surplus is recoverable by the Group. The extent to which the scheme's assets fall short of its liabilities is shown as a deficit in the Balance Sheet, net of the related deferred tax asset, to the extent that a deficit represents an obligation of the Group.

The following amounts have been charged to operating profit in the period

- (i) the increase in the present value of scheme liabilities arising from employee service in the period,
- (ii) gains and losses arising on settlements/curtailments in the period, and
- (iii) a credit representing the expected return on the scheme's assets and a charge relating to the increase in the present value of the scheme's liabilities are included in administrative expenses

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

Actuarial gains and losses have been recognised in the Statement of Total Recognised Gains and Losses

Additional details of the Group's pension arrangements have been provided in note 8

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 1 ACCOUNTING POLICIES (continued)

#### *Share-based payments*

The share awards programme allows employees of the Group to acquire shares in the ultimate parent company, Leucadia (formerly Jefferies Group, Inc ). As this is a Leucadia Group administered scheme that awards the equity of the ultimate parent company, Leucadia (formerly Jefferies Group, Inc ), these transactions are accounted for on an equity-settled basis

The fair value of share awards granted is recognised as an employee compensation expense. The amount of compensation expense is determined by reference to the fair value of the share awards on grant date 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 and an Employee Financial Retirement Benefit Scheme have been set up by the Group's subsidiary, Jefferies International Limited. These trusts are managed by a board of trustees and are totally independent of the Group, Jefferies Group LLC and Leucadia

#### *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

#### *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 the US holding company, Jefferies Group LLC meet the requirements as set out in that standard

#### *Clients' money*

As required by the UK regulator, the Company has segregated bank and broker accounts set up for those clients that have opted to be under the client money rules. The cash within these accounts is maintained separate from that in the non-segregated bank accounts. Segregated balances are included within the cash balance on the Group's Consolidated Balance Sheet

Details of the amount of segregated balances are disclosed in note 31

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 2 Turnover

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

	2012 £000	2011 £000
Net trading and commission income		
- Principal transactions	176,911	201,117
- Commissions	63,193	38,636
- Interest	5,114	4,177
Asset management fees	4,446	6,636
Service fee income	22,021	69,581
Investment banking fees	69,108	66,094
Other income	2,876	4,101
	<u>343,669</u>	<u>390,342</u>

### 3 Interest receivable and similar income

	2012 £000	2011 £000
Interest received on bank accounts	241	960
Interest received from group undertakings	88	-
Other interest receivable	449	344
	<u>778</u>	<u>1,304</u>

### 4 Interest payable and similar charges

	2012 £000	2011 £000
Interest paid on bank accounts	393	-
Interest payable to group undertakings	38,437	21,382
Other interest payable	1,096	1,205
	<u>39,926</u>	<u>22,587</u>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 5 (Loss) / profit on ordinary activities before taxation

	2012 £000	2011 £000
<b>(Loss) / profit on ordinary activities before taxation is stated after charging:</b>		
Auditor's remuneration for the audit of the Company's and Group's accounts	55	47
Auditor's remuneration for the audit of the Group's subsidiaries	762	801
Auditor's remuneration in relation to the regulatory audit	54	58
Auditor's remuneration for taxation services	55	37
Auditor's remuneration for non-audit services	35	-
Goodwill amortisation (note 10)	3,397	3,396
Negative goodwill amortisation (note 10)	(6,244)	(2,601)
Depreciation of tangible fixed assets (note 11)	5,209	4,451
Operating lease rentals	6,454	6,770
Provisions for liabilities and charges (note 24)	3,864	392
Currency revaluation loss / (gain)	9	(1,111)

### 6 Remuneration of directors

The highest paid director received emoluments of £1,765,435 (2011 £700,580) and no contributions (2011 £11,368) were made to a pension scheme on his behalf, for his services as a director to the Company and the Group for the year

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

	2012 £000	2011 £000
Emoluments	4,000	1,178
Pension contributions	49	24
	<u>4,049</u>	<u>1,202</u>

Contributions to money purchase pension schemes were made on behalf of three directors (2011 two) during the year. All directors benefited from qualifying third party indemnity provisions.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 7 Staff numbers and costs

The average number of employees (including executive directors) during the year was 957 (2011 822) The split of these was as follows

	2012 Number	2011 Number
Front office staff	643	551
Administration staff	314	271
	<u>957</u>	<u>822</u>

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

	2012 £000	2011 £000
Wages and salaries	192,391	177,458
Social security costs	33,291	21,841
Other pension costs - UK	7,470	8,195
- Overseas	946	517
	<u>234,098</u>	<u>208,011</u>

### 8 Pension costs

#### (a) Defined Contribution scheme

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 £8.4 million (2011 £5.9 million). The pension contributions for November 2012, which amounted to £554,387 (2011 £675,054), were still to be paid over at the year end.

#### (b) Bache & Associates Retirement Plan – German Defined Benefit Plan Disclosures under FRS 17

The Group's subsidiary, JBL provides a defined benefit pension scheme for certain employees of JBL's Hamburg branch. The defined benefit plan is operated for all eligible employees. The plan is reinsured by individual insurance contracts held in the name of JBL with two multi-national insurers. The net investment in these contracts has been recognised as a separate long-term insurance asset on the Balance Sheet (see note 17). All costs relating to the plan (including insurance premiums and other costs as computed by the insurer) are met in full by the Group.

The plan provides a pension of 1% of accrued earnings up to EUR 102,258 plus 0.5% of pensionable earnings above the state social security ceiling. Pensions in payment are reviewed triennially in accordance with German law. The last formal valuation was performed as at 30 November 2012.



# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 8 Pension costs (continued)

#### (b) Bache & Associates Retirement Plan – German Defined Benefit Plan Disclosures under FRS 17 (continued)

Change in benefit obligation	2012 £000	2011 £000
Benefit obligation at 1 December	(12,609)	(13,606)
Service cost	(21)	(9)
Interest cost	(619)	(276)
Actuarial (loss) / gain	(3,378)	268
Benefits paid	698	295
Exchange rate changes	635	719
Benefit obligation at end of year	<u>(15,294)</u>	<u>(12,609)</u>
<b>Amounts recognised in the Balance Sheet</b>	<b>2012 £000</b>	<b>2011 £000</b>
Present value of funded obligations	<u>(15,294)</u>	<u>(12,609)</u>
Deficit for funded plans	<u>(15,294)</u>	<u>(12,609)</u>
Related deferred tax assets	862	125
Net liability	<u>(14,432)</u>	<u>(12,484)</u>
<b>Components of pension expense</b>	<b>2012 £000</b>	<b>2011 £000</b>
Current service cost	21	9
Interest cost	619	276
Total pension expense recognised in the Profit and Loss Account	<u>640</u>	<u>285</u>
<b>Statement of Total Recognised Gains and Losses (STRGL)</b>	<b>2012 £000</b>	<b>2011 £000</b>
Actuarial (loss) / gain immediately recognised	(3,378)	268
Total pension (loss) / gain recognised in the STRGL	<u>(3,378)</u>	<u>268</u>
Cumulative amount of actuarial (loss) / gain immediately recognised	<u>(3,378)</u>	<u>268</u>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 8 Pension costs (continued)

#### (b) Bache & Associates Retirement Plan – German Defined Benefit Plan Disclosures under FRS 17 (continued)

Weighted average assumptions to determine benefit obligations	2012	2011
Discount rate	3.60%	5.60%
Rate of compensation increase	3.00%	3.00%
Rate of price inflation	2.00%	2.00%
Rate of pension increases	2.00%	2.00%
Weighted average assumptions to determine net pension cost for year ended	2012	2011
Discount rate	5.60%	5.10%
Rate of price inflation	2.00%	2.00%
Rate of pension increases	2.00%	2.00%
Weighted average life expectancy for mortality tables used to determine benefit obligations	2012	2011
	Years	Years
Member age 65 (current life expectancy)	20.62	20.48
Member age 40 (life expectancy at age 65)	23.86	23.74

#### History data defined benefit obligations, assets and experience gains and losses

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Defined benefit obligation	(15,294)	(12,609)	(13,173)	(13,694)	(12,887)
Fair value of plan assets	-	-	-	-	-
Deficit	(15,294)	(12,609)	(13,173)	(13,694)	(12,887)
Experience gains/(losses) on plan liabilities					
Amount	152	139	203	217	267
Percentage of plan liabilities	1%	1%	2%	2%	2%

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 9 Taxation

	2012 £000	2011 £000
UK corporation tax (credit) / charge at 24 67% (2011 26 67%) on the loss / (profit) for the year	(3,652)	6,752
Double tax relief	-	(348)
Adjustments to UK corporation tax in respect of prior years	(911)	(646)
Overseas tax	707	1,070
Adjustments to overseas corporation tax in respect of prior years	326	-
Total current tax	(3,530)	6,828
Deferred tax (note 25)		
- Origination and reversal of timing differences	(6,916)	13,662
- Adjustment in respect of prior years	(482)	788
- Effect of reduction in tax rate	942	915
Total tax (credit) / charge on ordinary activities	(9,986)	22,193

#### Tax reconciliation

	2012 £000	2011 £000
(Loss) / profit on ordinary activities before taxation	(37,218)	78,394
Tax on (loss) / profit on ordinary activities before taxation at the standard rate of corporation tax in the United Kingdom of 24 67% (2011 26 67 %)	(9,182)	20,908
Non-taxable income and gains	-	(3,220)
Adjustments in respect of prior periods	(585)	(646)
Amounts disallowed for tax purposes	927	933
Credit in respect of share awards	(2,987)	(2,385)
Higher tax rate on overseas earnings	260	22
Depreciation for the year in excess of / (exceeded by) capital allowances	1,288	(432)
Utilisation of tax losses	-	(8,297)
Losses carried forward for future periods	6,165	-
Other short term timing differences arising on unpaid interest	2,393	-
Enhanced relief for expenditure on research and development	(247)	-
Effect on higher rates on prior periods	(325)	-
Goodwill amortisation and impairment charge	(569)	228
Adjustment for pension costs	(602)	-
Other timing differences	(66)	(283)
Total current tax	(3,530)	6,828

#### Factors that may affect future tax charges

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

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 9 Taxation (continued)

#### Factors that may affect future tax charges (continued)

Finance Act 2011 enacted a 1% reduction in the UK corporation tax rate to 26% with effect from 1 April 2011. Finance Act 2012 enacted a further reduction in the UK corporation tax rate to 24% with effect from 1 April 2012. The combined effect of these reductions in the tax rate has impacted the current tax charge in 2012.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rate standing at 23% with effect from 1 April 2013. Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, and were substantively enacted on 17 July 2013. As these further reductions were not substantively enacted at the balance sheet date, the closing deferred tax assets and liabilities have been calculated at 23%.

### 10 Intangible assets

Group	Positive Acquisition Goodwill £000	Negative Acquisition Goodwill £000	Software license £000	Total £000
<b>Cost</b>				
As at 1 December 2011	38,332	(8,845)	45	29,532
Additions in the year	-	-	-	-
As at 30 November 2012	38,332	(8,845)	45	29,532
<b>Amortisation</b>				
As at 1 December 2011	34,935	(2,601)	19	32,353
Charge for the year	3,397	(6,244)	15	(2,832)
As at 30 November 2012	38,332	(8,845)	34	29,521
<b>Net Book Value</b>				
As at 30 November 2012	-	-	11	11
As at 30 November 2011	3,397	(6,244)	26	(2,821)

The Group's positive acquisition goodwill related to certain historical acquisitions dating from over five years ago. The negative acquisition relates to the "bargain" acquisition of JBL in 2011 and is presented in compliance with FRS 10.48. The negative acquisition goodwill was amortised over the estimated period when the benefits arising from the acquired net assets would be realised by the Group.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 10 Intangible assets (continued)

Company	Purchase Goodwill £000
<b>Cost</b>	
As at 1 December 2011	1,577
Additions in the year	-
As at 30 November 2012	1,577
<b>Amortisation</b>	
As at 1 December 2011	464
Charge for the year	1,113
As at 30 November 2012	1,577
<b>Net Book Value</b>	
As at 30 November 2012	-
As at 30 November 2011	1,113

The purchase goodwill, on the Company's Balance Sheet related to directly incremental costs incurred in the acquisition of JBL. The purchase goodwill was fully amortised as at the balance sheet date.

### 11 Tangible fixed assets

Group	Leasehold Imp'mnts £000	Fixtures Fittings & Eqmt £000	Assets Under Const'n £000	Total £000
<b>Cost</b>				
As at 1 December 2011	25,594	13,712	-	39,306
Additions	3,483	2,496	1,522	7,501
Exchange Adjustments	(89)	(106)	-	(195)
Disposals	(1,604)	(984)	-	(2,588)
As at 30 November 2012	27,384	15,118	1,522	44,024
<b>Depreciation</b>				
As at 1 December 2011	9,763	8,742	-	18,505
Charge for the year	3,062	2,147	-	5,209
Exchange Adjustments	(40)	(78)	-	(118)
Disposals	(1,603)	(979)	-	(2,582)
As at 30 November 2012	11,182	9,832	-	21,014
<b>Net Book Value</b>				
As at 30 November 2012	16,202	5,286	1,522	23,010
As at 30 November 2011	15,830	4,971	-	20,801

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

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 12 Fixed asset investments

Company	2012 £000	2011 £000
As at 1 December	408,939	240,381
Additions	18,976	203,097
Disposals	-	(28,956)
Write-down of investments in dissolved subsidiary companies	(1,948)	(5,583)
<b>As at 30 November</b>	<b>425,967</b>	<b>408,939</b>

In 2012 the Company increased its investment in Jefferies International Limited by £18.5 million and in Jefferies Investment Management Limited by £0.5 million

In 2011 the Company disposed of its investments in Jefferies Singapore Limited, Jefferies Hong Kong Limited and Jefferies India Private Limited. All these subsidiaries were sold to a fellow Jefferies group company, Jefferies Asia Holdings Limited, at net asset value. The Group recognised a foreign exchange adjusted gain of £5.8 million on these disposals. The total gain on the Consolidated Balance Sheet includes a gain of £0.7 million relating to the sale of investment securities by LongAcre Partners Limited.

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
<u>Subsidiary undertakings</u>			
Jefferies International Limited	Ordinary £1 Shares	100%	Broker / Dealer
Jefferies Bache Limited	Ordinary £1 Shares	100%	Broker / Dealer
Jefferies Investment Management Limited	Ordinary £1 Shares	100%	Investment Manager
Jefferies (Schweiz) AG*	Registered Shares	100%	Broker / Dealer / Asset Management
LongAcre Partners Limited	Ordinary £1 Shares	100%	Non-Trading
Jefferies Securities Limited	Ordinary £1 Shares	100%	Dormant
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%	Dissolved
Asymmetric Capital Management Limited	Ordinary £1 Shares	100%	Dissolved
Jefferies Randall & Dewey Limited	Ordinary £1 Shares	100%	Dissolved

Shares in the above were all held directly by Jefferies International (Holdings) Limited at the balance sheet date unless marked with an asterisk. Those marked with an asterisk are owned indirectly through Jefferies International Limited. All subsidiaries are registered in England and Wales apart from Jefferies (Schweiz) AG which is registered in Switzerland.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 13 Debtors

Group	2012 £000	2011 £000
Amounts falling due within one year		
Amounts owed by group undertakings	124,329	176,082
Securities borrowed collateral	380,862	238,277
Securities awaiting settlement	1,243,027	648,700
Reverse re-purchase collateral	474,219	349,471
Other trade receivables	788,151	676,249
Amounts due in respect of group relief	6,054	-
Other debtors	6,479	21,848
Prepayments and accrued income	5,432	12,733
Deferred taxation (note 25)	6,519	4,202
	<u>3,035,072</u>	<u>2,127,562</u>

In the table above, the other trade receivables include the following balances which are segregated under the UK regulator's clients' money rules (see note 31)

- segregated clearing house debtors of £56 0 million (2011 £154 9 million) Segregated clearing house debtors represent amounts held by clearing houses in separate accounts, on behalf of clients, as required by the rules of the UK regulator, and
- segregated amounts receivable from intermediate brokers of £362 4 million (2011 £275 3 million) Of this £343 3 million (2011 £244 0 million) is due from an affiliated broker Jefferies Bache LLC

Group	2012 £000	2011 £000
Amounts falling due after more than one year		
Employee loans	4,085	5,451
Retention bonuses	21,255	10,801
Prepayments and accrued income	708	52
Deferred taxation (note 25)	<u>15,235</u>	<u>12,346</u>
	<u>41,283</u>	<u>28,650</u>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 13 Debtors (continued)

Company	2012 £000	2011 £000
Amounts falling due within one year		
Amounts owed by group undertakings	102,520	108,971
Corporation tax	2,256	31
Deferred tax asset	453	-
Other debtors	749	1,991
	<u>105,978</u>	<u>110,993</u>
Company	2012 £000	2011 £000
Amounts falling due after more than one year		
Deferred taxation	<u>1,785</u>	<u>-</u>
	<u>1,785</u>	<u>-</u>

### 14 Investments – available for sale

Group	2012 £000	2011 £000
As at 1 December	3,048	1,252
Additions	102	2,136
Disposals	-	(340)
Impairment charge	<u>(336)</u>	<u>-</u>
As at 30 November	<u>2,814</u>	<u>3,048</u>

Investments – available for sale represent unquoted equity securities at cost less impairment and 'B' shares in the London Metal Exchange held at fair value. The unquoted equities primarily comprise £250,000 £1 preference shares in Altius Associates Limited, 116,750 £1 preference shares in Altius Holdings Limited, £250,000 £1 shares in Engine Group Limited and £260,000 £1 shares in Eagle Rock Entertainment Limited.

The additions in 2012 relate to shares awarded to the Group by the Swift payment system. The impairment charge in 2012 relates to a decrease in the fair value of the London Metal Exchange (LME) 'B' shares that are held by JBL as a condition of its membership of the LME.



# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 15 Trading assets

Group	2012 £000	2011 £000
Equity shares	156,909	116,603
Debt securities – Corporate	468,733	557,163
Debt securities – Government	1,633,457	712,157
Asset-backed securities	199,764	84,811
Derivatives	392,138	269,862
	<u>2,851,001</u>	<u>1,740,596</u>

### 16 Trading liabilities

Group	2012 £000	2011 £000
Equity shares	101,813	91,127
Debt securities – Corporate	175,616	153,338
Debt securities – Government	1,184,214	680,577
Derivatives	399,633	239,870
	<u>1,861,276</u>	<u>1,164,912</u>

### 17 Insurance assets

Group	2012 £000	2011 £000
German pension scheme insurance contracts (see note 8)	<u>11,620</u>	<u>12,079</u>

These amounts represent insurance policies held by JBL's German branch to meet pension obligations to employees. These amounts are held at their fair value which has been deemed to be the insurance contract value. Changes in the fair value of Insurance Assets are recognised through the Statement of Total Recognised Gains and Losses.

### 18 Physical commodities

Group	2012 £000	2011 £000
Silver stock	<u>5,240</u>	<u>12,409</u>

These amounts represent silver stocks held as short-term assets by the JBL. Changes in fair value of Physical Commodities are recognised through the Profit and Loss Account.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 19 Creditors: amounts falling due within one year

Group	2012 £000	2011 £000
Bank loans and overdrafts	5,787	1,295
Amounts owed to group undertakings	748,395	633,997
Securities lent collateral	403,730	237,100
Securities awaiting settlement	1,395,842	620,428
Re-purchase collateral	554,101	301,311
Other trade payables	547,001	487,719
Other creditors including taxation and social security		
- Corporation tax	-	4,270
- Social security	5,836	13,548
- Other creditors	75,384	44,423
- Accruals and deferred income	42,381	40,754
<b>Total</b>	<b>3,778,457</b>	<b>2,384,845</b>

Other trade payables include £456.3 million (2011 £472.3 million) of segregated creditors representing client margins held on deposit, in separate accounts, with restricted access, as required by the rules of the UK regulator (see note 31)

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

Company	2012 £000	2011 £000
Amounts owed to group undertakings	99,809	105,597
Other creditors including taxation and social security		
- Social security	-	8
- Corporation tax	-	123
- Other creditors	25,659	7,303
- Accruals and deferred income	54	62
<b>Total</b>	<b>125,522</b>	<b>113,093</b>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

Group	2012 £000	2011 £000
Amount due to parent undertaking		
- Subordinated loan notes	400,433	427,139
Senior secured credit facility	78,006	-
Accruals and deferred income	1,571	1,278
	<u>480,010</u>	<u>428,417</u>

The subordinated loan notes are undated and are repayable at par either two years or five years, depending on the terms of the specific notes, from the lender issuing notice to the borrower. Interest is charged at a fixed rate of 9% per annum.

The Group's subsidiary, Jefferies Bache Limited (JBL), along with Jefferies Bache LLC and Jefferies Bache Financial Services, Inc. had access to a committed senior secured revolving facility from a group of commercial banks. JBL had drawn down £78.0 million (\$125.0 million) against this facility at the year end. The Group has no other external borrowings.

Company	2012 £000	2011 £000
Amount due from fellow group undertaking		
- Subordinated loan notes	190,764	194,688
	<u>190,764</u>	<u>194,688</u>

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.

### 21 Pension liability

Group	2012 £000	2011 £000
Germany Defined Benefit Plan	14,432	12,484
	<u>14,432</u>	<u>12,484</u>

Under the requirements of FRS 17, an actuarial valuation of the pension liabilities of the Group was undertaken as at 30 November 2012. The valuation quantifies the pension liabilities of the Group which have then been recognised on the Consolidated Balance Sheet.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 22 Financial Instruments

The table below analyses the Group's financial instruments measured at fair value as at 30 November 2012, the level in the fair value hierarchy into which the fair value measurement is categorised. The carrying value of the financial instruments on the Group's Consolidated Balance Sheet is not materially different from the financial instruments' fair value. The Company did not hold any financial instruments at 30 November 2012 or 30 November 2011.

Group 30 November 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Trading Assets</u>				
Equity shares	109,438	44,885	2,586	156,909
Debt securities – Corporate	-	467,107	1,626	468,733
Debt securities – Government	1,101,345	532,112	-	1,633,457
Asset-backed securities	-	168,347	31,417	199,764
Derivatives (i)	2,825	396,947	-	399,772
Total Trading Assets	1,213,608	1,609,398	35,629	2,858,635

#### Trading Liabilities

Equity shares	92,864	8,949	-	101,813
Debt securities – Corporate	-	175,616	-	175,616
Debt securities – Government	892,338	291,876	-	1,184,214
Derivatives (i)	5,872	394,721	-	400,593
Total Trading Liabilities	991,074	871,162	-	1,862,236

- (i) Included with the derivative assets and liabilities are futures, listed options and OTC transactions with affiliates that are included with Trade Debtors and Trade Creditors rather than within the Trading Assets and Trading Liabilities.

Group 30 November 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<u>Trading Assets</u>				
Equity shares	106,512	8,769	1,322	116,603
Debt securities – Corporate	333	551,008	5,822	557,163
Debt securities – Government	496,781	215,376	-	712,157
Asset-backed securities	-	42,625	42,186	84,811
Derivatives	1,583	272,237	-	273,820
Total Trading Assets	605,209	1,090,015	49,330	1,744,554

#### Trading Liabilities

Equity shares	88,759	2,368	-	91,127
Debt securities – Corporate	-	153,338	-	153,338
Debt securities – Government	505,744	174,833	-	680,577
Derivatives	2,500	228,603	-	231,103
Total Trading Liabilities	597,003	559,142	-	1,156,145

- (i) Included with the derivative assets and liabilities are futures, listed options and OTC transactions with affiliates that are included with Trade Debtors and Trade Creditors rather than within the Trading Assets and Trading Liabilities.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 22 Financial Instruments (continued)

- (ii) 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 2012	£000	£000	£000	£000	£000
Balance as at 1 December 2011	1,322	5,822	-	42,186	49,330
Total gains or losses					
In profit or (loss)	(808)	(217)	-	(2,589)	(3,614)
Purchases	1,782	16,972	-	5,605	24,359
Issues	-	(16,313)	-	(15,388)	(31,701)
Settlements	-	-	-	(2,462)	(2,462)
Transfers into Level 3	290	832	-	18,910	20,032
Transfers out of Level 3	-	(5,470)	-	(14,845)	(20,315)
Balance at 30 November 2012	2,586	1,626	-	31,417	35,629

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

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 23 Collateral

Group	2012 £000	2011 <i>Restated</i> £000
Cash collateral paid for securities borrowed	380,862	238,277
Cash collateral received for securities lent	(403,730)	(237,100)
Cash collateral paid for reverse repurchase agreements	474,219	349,471
Cash collateral received for repurchase agreements	(554,101)	(301,311)
Cash collateral paid on derivative contracts	734,694	648,110
Cash collateral received on derivative contracts	(622,702)	(574,237)
<b>Net cash collateral</b>	<b>9,242</b>	<b>123,210</b>
Non cash collateral pledged	44,175	108,833
Non cash collateral received	-	(13,923)
<b>Net non-cash collateral</b>	<b>44,175</b>	<b>94,910</b>

The 2011 comparatives have been restated to include the cash collateral amount paid and received in that year

### 24 Provisions for liabilities and charges

Group	Onerous lease provision £000	Dilapidations provision £000	Legal provision £000	Severance Provision £000	Total £000
As at 1 December 2011	220	150	-	392	762
Charged to the profit and loss account	-	-	897	2,967	3,864
Utilised during the year	(220)	(150)	-	(2,943)	(3,313)
As at 30 November 2012	-	-	897	416	1,313

#### Onerous lease provision

The provision related to a property lease that ended in 2012

#### Dilapidations provision

The provision related to costs that were incurred in 2012 in ensuring a property was presented back to the landlord as contractually required at the end of the lease

#### Legal

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

#### Severance provision

The provision relates to severance costs arising from current ongoing restructuring plans

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 25 Deferred taxation asset

#### Company

A deferred tax asset in respect of interest accrued but unpaid during the period for the sum of £2,237,733 has been recorded

<b>Group</b>	2012 £000
As at 1 December 2011	16,673
Credit to the Profit & Loss Account	5,974
Adjustment in respect of prior periods	482
Charge to the Statement of Recognised Gains and Losses	(291)
Other movements	(222)
<b>As at 30 November 2012</b>	<b>22,616</b>

Deferred tax comprises

<b>Group</b>	2012 £000	2011 £000
Amounts falling due within one year		
Depreciation charged in excess of capital allowances	702	458
Unrelieved tax losses	1,967	336
Unpaid interest	453	-
Share awards not yet deductible for tax	1,495	2,062
Special pension contributions	1,441	945
Other timing differences	461	401
	<b>6,519</b>	<b>4,202</b>

<b>Group</b>	2012 £000	2011 £000
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Amounts falling due after more than one year

Contributions into the Employee Benefit Trust and Employee Financial Retirement Benefit Scheme

	1,523	1,105
Depreciation charged in excess of capital allowances	2,587	1,643
Unrelieved tax losses	4,097	-
Unpaid interest	1,785	-
Share awards not yet deductible for tax	4,425	6,104
Special pension contributions	749	2,835
Other timing differences	69	659
	<b>15,235</b>	<b>12,346</b>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 25 Deferred taxation asset (continued)

<b>Group</b>	<b>2012 £000</b>	<b>2011 £000</b>
Deferred tax asset offset against the pension defined benefit liability	<u>862</u>	<u>125</u>
	<u>862</u>	<u>125</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the rate standing at 23% with effect from 1 April 2013. Further reductions of the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 were announced on 5 December 2012 and 20 March 2013 respectively, and were substantively enacted on 17 July 2013. As these further reductions were not substantively enacted at the balance sheet date, the closing deferred tax assets and liabilities have been calculated at 23%.

### 26 Called up share capital

<b>Company and Group</b>	<b>2012 £000</b>	<b>2011 £000</b>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>267,201</u>	<u>267,201</u>



# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 27 Reserves

Group	Share Capital £000	Share premium £000	Merger reserve £000	Capital contribution £000	Translation reserve £000	Other reserves £000	Profit and loss £000	Total £000
As at 1 December 2011	267,201	14,610	6,499	3,523	10,274	13,669	(4,263)	311,513
Foreign exchange differences	-	-	-	(24)	(4,136)	-	-	(4,160)
Reclassification of foreign currency revaluation	-	-	-	-	(1,833)	1,833	-	-
Fair value movement on available for sale financial instruments	-	-	-	-	-	(336)	-	(336)
Actuarial loss recognised on pension scheme	-	-	-	-	-	-	(3,378)	(3,378)
Current tax credit on special pension contribution	-	-	-	-	-	753	753	753
Movement in deferred tax relating to pension liability	-	-	-	-	-	(291)	(291)	(291)
Other movement in the pension reserve	-	-	-	-	-	465	465	465
Loss for the year	-	-	-	-	-	(27,232)	(27,232)	(27,232)
As at 30 November 2012	267,201	14,610	6,499	3,499	4,305	15,166	(33,946)	277,334
As at 1 December 2010	267,201	14,610	6,499	3,572	6,692	13,361	(60,639)	251,296
Foreign exchange differences	-	-	-	-	3,582	-	-	3,582
Fair value movement on available for sale financial instruments	-	-	-	-	-	308	-	308
Actuarial gain recognised on pension scheme	-	-	-	-	-	-	268	268
Current tax credit on special pension contribution	-	-	-	-	-	-	1,829	1,829
Movement in deferred tax relating to pension liability	-	-	-	-	-	-	(2,059)	(2,059)
Other movement in the pension reserve	-	-	-	-	-	-	137	137
Disposal of Asian subsidiaries	-	-	-	(49)	-	-	-	(49)
Profit for the year	-	-	-	-	-	-	56,201	56,201
As at 30 November 2011	267,201	14,610	6,499	3,523	10,274	13,669	(4,263)	311,513

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 27 Reserves (continued)

Company	Share Capital £000	Share premium £000	Capital contribution £000	Profit and loss £000	Total £000
As at 1 December 2011	267,201	14,610	3,086	(70,007)	214,890
Profit for the year	-	-	-	4,196	4,196
As at 30 November 2012	267,201	14,610	3,086	(65,811)	219,086
As at 1 December 2010	267,201	14,610	3,086	(81,662)	203,235
Profit for the year	-	-	-	11,655	11,655
As at 30 November 2011	267,201	14,610	3,086	(70,007)	214,890

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 28 Commitments under operating leases

Commitments under operating leases for the next financial year are as follows

Group	2012			2011		
	Land & buildings	Other	Total	Land & buildings	Other	Total
	£000	£000	£000	£000	£000	£000
Operating leases which expire						
Within one year	133	125	258	1,118	38	1,156
In two to five years	2,322	57	2,379	332	135	467
After five years	3,817	-	3,817	4,383	-	4,383
	<u>6,272</u>	<u>182</u>	<u>6,454</u>	<u>5,833</u>	<u>173</u>	<u>6,006</u>

### 29 Share-based payments

During the year £6,019,135 (2011 £10,366,390) 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 Group reward structures. In future years the Group's share-based incentive scheme will award shares of the new ultimate parent company, Leucadia.

#### *Jefferies Incentive Compensation Plan*

Under the Jefferies Group 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 Jefferies Group so to better align the interests of the employees with the interest of the ultimate parent company's shareholders.

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

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

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

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

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

RSUs are made to eligible employees for recruitment and compensation purposes. An approved proportion of the awards become non-forfeitable on future anniversaries of grant date over the vesting period. RSUs not held past the predetermined grant date anniversary are retained, unless they are forfeited as a result of the forfeiture provisions of those awards. In the event of forfeiture all related charges are reversed to the Profit and Loss Account.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

### 29 Share-based payments (continued)

The Jefferies Incentive Compensation Plan awards outstanding are as follows

a) RSAs	2012 Number	2011 Number
Outstanding at 1 December	5,172,936	4,651,753
Transfer out from affiliate	(42,294)	(791,026)
Additional awards granted during the year	271,225	2,486,771
Vested and released to employees during the year	(1,711,386)	(1,093,636)
Forfeited by employees during the year	(50,223)	(80,926)
<b>Outstanding at 30 November</b>	<b>3,640,258</b>	<b>5,172,936</b>
a) ESPPs	2012 Number	2011 Number
Outstanding at 1 December	-	-
Additional awards granted during the year	124	98
Vested and released to employees during the year	(124)	(98)
<b>Outstanding at 30 November</b>	<b>-</b>	<b>-</b>
a) RSUs	2012 Number	2011 Number
Outstanding at 1 December	1,155,906	1,276,040
Transfer in / (out) from affiliate	24	(20,589)
Additional awards granted during the year	-	119,178
Vested and released to employees during the year	(363,011)	(214,350)
Forfeited by employees during the year	(139,482)	(4,373)
<b>Outstanding at 30 November</b>	<b>653,437</b>	<b>1,155,906</b>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 29 Share-based payments (continued)

The fair value of the restricted stock as at the date of grant was determined by the closing price of the Jefferies Group, Inc. shares as listed on the New York Stock Exchange. No adjustment to fair value has been made in respect of expected dividends. There are no other features of the share awards granted that were incorporated into the measurement of fair value. Upon completion of the merger on 1 March 2013, the outstanding shares of Jefferies Group, Inc. Common Stock were converted into 0.810 shares of Leucadia Common Stock.

There were no modifications to the Group's share awards scheme during the year.

The weighted average fair value of RSAs granted in 2012 was \$14.90 (2011: \$14.80).

The weighted average fair value of shares granted under the ESPP in 2012 was \$14.44 (2011: \$16.52).

The weighted average fair value of RSUs granted in 2012 was \$nil (2011: \$14.34).

### 30 Business and financial risk management policies

The Group's activities expose it to a variety of financial and regulatory risks which can be principally defined as:

- market risk,
- credit risk,
- operational risk,
- liquidity risk, and
- capital adequacy risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

As outlined in the Directors' Report, the directors establish and adhere to a framework for overall risk management. This is encapsulated within the ICAAP documents that the Group's main operating subsidiaries, Jefferies International Limited (JIL), and Jefferies Bache Limited (JBL), have submitted to the Financial Conduct Authority, whereby the Boards provide written principles and policies for overall risk management. The Boards have put in place a comprehensive structure of committees to oversee the risk management process (see page 4 of the Directors' report).

#### *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 exchange rates, interest rates and equity and commodity prices.

Market Risk Management is an independent function within the Group that monitors all trading activities. Gross and net exposures are monitored 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 Product Control in providing Independent Price Verification for valuations where external prices are not readily available.

The market risk infrastructure and processes are common across the Jefferies Group, thus reflecting the integrated nature of the Jefferies market risk management function. Within that framework, JIL's and JBL's Risk Management function design and develop risk management approaches tailored to the specific risk profiles in their various business activities.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

#### *Market risk (continued)*

##### *(i) Currency Risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Sterling, Euro and Yen. This risk is generated largely through transactions with customers, foreign exchanges and intercompany balances. The Group utilises currency swaps to minimise its exposure to adverse foreign exchange movements.

##### *(ii) Equity, Interest Rate and Price Risk*

The Group actively trades financial instruments including stocks, bonds, futures and cleared forwards on metals, in each case to service customers and to benefit from short-term price fluctuations. Under the Group's risk management policy these positions are managed, monitored and reported on a daily basis versus limits. Limits are phrased in terms of Value at Risk, sensitivities, possible losses arising from hypothetical stresses, as well as net and gross position size. Market risk limits are reviewed at least annually by the Risk Management Committee, Audit Committee and Board.

##### *(iii) Value-At-Risk and Stress Testing*

The Group's risk management function uses a wide range of techniques to manage market risk, including Value-at-Risk calculations, sensitivity analysis and stress testing. Value-At-Risk ("VaR") analysis is performed using the historical simulation technique using up to five years' market history and a range of confidence levels. The results below are for a 95% confidence level one-day holding period VAR based on one year's history.

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.

Stress testing is performed on a daily basis to examine the impact on the Group's trading book of extreme market moves in underlying price, yield curves and other parameters such as implied volatility. The Group employs a suite of group-wide stress tests, some of which seek to recreate historic market crashes and other hypothetical scenarios which are designed to probe for potential vulnerabilities. These are complemented by further stress tests run on individual business lines.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

#### *Credit Risk*

Credit risk is the risk of loss due to adverse changes in a counterparty's creditworthiness 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 Credit risk limits are granted by a team of credit risk managers reporting to the EMEA head of Credit Risk Management and afforded the benefit of advice, cooperation and oversight from Jefferies Group's Head of Credit and his colleagues. These limits are granted subject to written policies and at least annual review.
- 2 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 and politically exposed. Counterparties in risk categories Medium/High and politically exposed are subject to enhanced due diligence. All KYC reviews are updated regularly, the frequency dictated by the counterparty's relevant risk category.
- 3 All stock borrowing, lending and repurchase transactions are collateralised and 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. They 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 and marked to market on a daily basis.
- 4 On a day to day basis credit risk arising from the Futures business is managed through margin calls on clients by the operations team. Where a margin call is not fulfilled, this is then escalated to the credit department and senior management. The business has robust procedures in place to mitigate default risk.
- 5 Specific credit risk limits are not assigned to counterparties that settle on a Delivery Versus Payment (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.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

#### *Credit Risk* (continued)

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

	2012	2011
	£000	<i>Restated</i> £000
Cash at bank and in hand	442,771	360,609
Insurance asset	11,620	12,079
Amounts owed by group undertakings	124,329	176,082
Securities borrowed collateral	380,862	238,277
Securities awaiting settlement	1,243,027	648,700
Cash collateral paid for reverse re-purchase agreements	474,219	349,471
Other trade receivables	788,151	676,249
Other debtors	6,479	21,848
	<u>3,471,458</u>	<u>2,483,315</u>

Cash at bank is deposited with a range of international banks and clearing institutions at the Balance Sheet date £437.7 million or 98.85% (2011 £359.4 million or 99.67%) by value of cash deposits were placed with banks and clearing institutions that were rated investment grade or were guaranteed by or were 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 £380.9 million or 100% (2011 £238.2 million or 99.99%) of such collateral was placed with counterparties that were rated investment grade or were guaranteed by or were 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 £465.0 million or 98.01% (2011 £347.1 million or 99.33%) of such collateral was placed with counterparties that were rated investment grade or were guaranteed by or were parts of groups that were rated investment grade

Securities awaiting settlement of £1,243.0 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.

The other debtors' balance of £6.5 million comprises amounts due from various different sources which include margin deposit bonds and investment banking fees receivable. Management monitors outstanding investment banking fees receivable 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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

The following table shows the liquidity analysis of assets exposed to credit risk as required by FRS 29

	On demand	Due within 3 months	Due in 3 to 12 months	Due in 1 to 5 years	Due after 5 years	Total
30 November 2012	£000	£000	£000	£000	£000	£000
Cash at bank and in hand	442,771	-	-	-	-	442,771
Insurance asset	-	-	-	-	11,620	11,620
Amounts owed by group undertakings	124,329	-	-	-	-	124,329
Securities borrowed collateral	380,862	-	-	-	-	380,862
Reverse re-purchase collateral	463,951	-	10,268	-	-	474,219
Securities awaiting settlement	1,243,027	-	-	-	-	1,243,027
Other trade receivables	540,007	208,166	28,472	-	11,506	788,151
Other debtors	-	2,576	3,784	-	119	6,479
	3,194,947	210,742	42,524	-	23,245	3,471,458
30 November 2011	Restated £000	£000	£000	£000	Restated £000	Restated £000
Cash at bank and in hand	360,609	-	-	-	-	360,609
Insurance asset	-	-	-	-	12,079	12,079
Amounts owed by group undertakings	176,082	-	-	-	-	176,082
Securities borrowed collateral	238,277	-	-	-	-	238,277
Reverse re-purchase collateral	343,072	-	6,399	-	-	349,471
Securities awaiting settlement	648,700	-	-	-	-	648,700
Other trade receivables	674,361	1,888	-	-	-	676,249
Other debtors	3,826	1,741	16,254	-	27	21,848
	2,444,927	3,629	22,653	-	12,106	2,483,315

#### Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Our business is dependent on our ability to process a large number of transactions across numerous markets, jurisdictions subject to an ever growing number of rules and regulations, and in many currencies on a daily basis. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer impairment to our liquidity, financial loss, and disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. We also face the risk of operational failure or termination of any of the exchanges, clearing houses or other financial intermediaries we use to facilitate our transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

#### *Operational Risk (continued)*

This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavour to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code, and other events that could have a security impact. In such events we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our Operational Risk Framework is administered by the Operational Risk Managers and includes risk self-assessments, a risk register whose major risks are reviewed semi-annually by both the Risk Management Committee and Board and which feeds into the ICAAP and Internal Audit process. It also involves collection and analysis of operational risk loss events, the presence of an Operational Risk Representative embedded in each department, scenario analysis and the use of Key Risk Indicators.

#### **Liquidity Risk**

The objective of liquidity risk management is to ensure that the Group at all times maintains, or has access to, liquidity resources that are sufficient in terms of amount, currency, tenor and quality, to enable it to meet its liabilities as they fall due. The Group's funding model seeks to achieve this through a mixture of secured financing in the market, and unsecured borrowing from Jefferies Group LLC.

The daily Treasury cash management and forecasting processes are supported by a conservative liquidity risk appetite and a risk management infrastructure that are subject to the UK regulator's liquidity adequacy requirements. This infrastructure includes regular Board, Audit Committee and Management Committee governance, daily monitoring and reporting of risk indicators and potential stress exposures, risk-based allocation of funding costs to individual trading desks. These business-as-usual processes are backed up with an annually-tested Contingency Funding Plan, and a Treasury-managed portfolio of highly liquid, unencumbered assets held on the Group's balance sheet to enable it to survive stressed idiosyncratic or market environments.

The table below shows the liquidity analysis of the Group's financial liabilities as required by FRS 29

	On demand	Due within 3 months	Due in 3 to 12 months	Due in 1 to 5 years	Due after 5 years	Total
30 November 2012	£000	£000	£000	£000	£000	£000
Trading liabilities	1,861,276	-	-	-	-	1,861,276
Securities lent collateral	403,730	-	-	-	-	403,730
Re-purchase collateral	554,101	-	-	-	-	554,101
Other creditors	2,266,853	62,712	491,062	-	-	2,820,627
Creditors' amounts falling due after one year	-	-	-	386,210	93,799	480,009
Pension liability	-	-	-	-	14,432	14,432
Provisions for liabilities and charges	-	-	1,313	-	-	1,313
<b>Total liabilities</b>	<b>5,085,960</b>	<b>62,712</b>	<b>492,375</b>	<b>386,210</b>	<b>108,231</b>	<b>6,135,488</b>

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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

#### Liquidity Risk (continued)

Securities lent collateral of £403.7 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.

	On demand	Due within 3 months	Due in 3 to 12 months	Due in 1 to 5 years	Due after five years	Total
30 November 2011	<i>Restated</i>		<i>Restated</i>			
	£000	£000	£000	£000	£000	£000
Trading liabilities	1,164,912	-	-	-	-	1,164,912
Securities lent collateral	237,100	-	-	-	-	237,100
Re-purchase collateral	301,311	-	-	-	-	301,311
Other creditors	1,348,802	13,440	484,192	-	-	1,846,434
Creditors' amounts falling due after one year	-	-	-	427,863	554	428,417
Pension liability	-	-	-	-	12,484	12,484
Provisions for liabilities and charges	-	-	762	-	-	762
Total liabilities	3,052,125	13,440	484,954	427,863	13,038	3,991,420

### 31 Clients' money

Group	2012	2011
	£000	£000
Cash held in segregated accounts	37,016	37,838
Segregated clearing house debtors (see note 13)	56,020	154,900
Segregated intermediate brokers (see note 13)	362,412	275,254
Total client money resources	455,448	467,992
Client money requirement (see note 19)	(456,343)	(472,290)
Deficit on client money requirement	(895)	(4,298)

As required by the UK regulator the Group has separate bank and broker accounts set up for those clients that are treated under the UK regulator's client money rules. The cash and assets within these accounts are maintained separately from that in the non-segregated bank accounts which are included in the balance sheet.

# Jefferies International (Holdings) Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 November 2012

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### 32 Related party transactions

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

### 33 Immediate and ultimate holding company

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

On 1 March 2013, Jefferies Group, Inc. was converted into a Delaware limited liability company and renamed Jefferies Group LLC. Simultaneously Jefferies Group LLC became a wholly-owned subsidiary of Leucadia National Corporation ("Leucadia") through a series of merger transactions whereby Jefferies Group, LLC continues to operate as the holding company to the various regulated and unregulated operating subsidiaries, including the Company. Upon completion of the merger, the outstanding shares of Jefferies Group, Inc. Common Stock were converted into 0.810 shares of Leucadia Common Stock. Further, the Chairman and Chief Executive Officer of Jefferies Group LLC, whilst retaining such positions, was appointed the Chief Executive Officer and a Director of Leucadia and the Chairman of the Executive Committee and Director of Jefferies was appointed President and a Director of Leucadia.

### 34 Post balance sheet events

In April 2013 the Board approved and implemented a restructuring of the Group's regulatory capital consisting of equity and long term subordinated debt. The restructuring significantly strengthened the Group's regulatory capital base. The restructuring increased the Group's overall regulatory capital by £44.7 million as well as converting a significant proportion of the Group's subordinated debt to more secure longer term facilities. This was achieved by replacing £136.6 million of shorter term subordinated debt (qualifying as Tier 3 regulatory capital) with £97.1 million of equity and £84.2 million of longer term sub-ordinated debt (qualifying as Tier 2 regulatory capital).

In May 2013 JBL recognised an onerous lease provision and fixed asset impairment as the result of vacating office premises. The subsidiary is party to a lease agreement on the premises that runs to Sept 2018. The total impact recorded in the Profit and Loss account, as a result of recognising the provision and the write-down of the fixed assets, in May 2013 was £4.56 million.

# Jefferies International (Holdings) Limited

## **ADDITIONAL INFORMATION (UNAUDITED)**

For the year ended 30 November 2012

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### **CAPITAL MANAGEMENT**

The Group's capital management policy is to manage its overall solvency ratios around targets materially in excess of their minimum regulatory capital requirements. This policy is a reflection of a number of factors – the business strategy, its risk appetite and the market environments in which they operate. The minimum regulatory capital requirements have been agreed with the UK regulator through the UK regulator's Individual Capital Adequacy Assessment Process (ICAAP).

The level of Pillar 2 capital held by the Group reflects the risk inherent in the Group's business models and products traded as well as the governance, control and risk management infrastructure. The assessments of their Pillar 2 requirements are then reviewed with the UK regulator and a final level agreed. Their minimum regulatory capital requirements are the sum of their individual Pillar 1 and 2 requirements.

The Group's continuous compliance with the internal capital management policy targets and external minimum regulatory capital requirements are monitored daily by senior management. The internal targets are also reviewed on a regular basis looking at the current portfolio composition and expected future business, market or regulatory developments.

The Group's Basel II Pillar 3 disclosures are on the corporate web-site

[www.jefco.com/cositemgr.pl/html/InvestorRelations/SECFilings/BaselIIPillar3/index.shtml](http://www.jefco.com/cositemgr.pl/html/InvestorRelations/SECFilings/BaselIIPillar3/index.shtml)