LEUCADIA INVESTMENT MANAGEMENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 November 2019

Company Registration No 04476927

TABLE OF CONTENTS

	Page
Strategic report	1
Directors' report	3
Directors' responsibilities statement	6
Independent auditor's report	7
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13

Leucadia Investment Management Limited
STRATEGIC REPORT

The directors present their strategic report on Leucadia Investment Management Limited (the "Company") for the year ended 30 November 2019.

1. REVIEW OF THE BUSINESS

Financial Performance

The Company provides investment portfolio management, market research and other related services to support the activities of investment vehicles (i.e. funds and managed accounts). The Company currently provides services to investment vehicles owned by Jefferies Financial Group Inc. and its subsidiaries (the "Group") and external third parties.

The Company has four business divisions: Pendeen Asset Management division (previously part of the Special Situations division); Sikra Capital division (previously part of the Special Situations division); quantPort division (previously operating under the name "Strategic Investments") and the Tenacis division (last activity on this division was in June 2019). See below for a brief description of each division's activities. The Company's revenue streams are a combination of management fees, performance fees and "cost plus" service fees.

The financial results for the year are positive with the Company recording a profit for the financial year of £1,837,500 (2018: £1,154,908). The Company's revenues and profitability have grown in line with the Board's expectations as the different business streams have become more established and gained traction in the marketplace.

The profit for the year has been transferred to reserves. All the key indicators for the year are positive, with revenues in particular growing strongly in comparison to the prior year.

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

	Year ended 30 November 2019 £000	Year ended 30 November 2018 £000
Revenue	14,681	10,933
Profit for the financial year	1,838	1,155
Total shareholders' funds	10,120	8,282
Operating profit margin	15%	12%
Return on capital employed	22%	15%
Current ratio	483%	1,247%

The return on capital employed ratio is calculated by dividing net operating profit by total assets less current liabilities. The statement of comprehensive income for the year is set out on page 10.

Developments and future prospects

The Special Situations division, launched by the Company in February 2013, discontinued the name "Special Situations" at the beginning of the year and separated out the different trading strategies into two new divisions; "Pendeen Asset Management" and "Sikra Capital".

The Pendeen Asset management division will provide investment services to four existing investment vehicles: a fund with a mixture of Jefferies Group investors and external investors; a managed account with external investors only and two further managed accounts with Jefferies Group investors only.

The Sikra Capital division will provide investment services to one existing managed account with Jefferies group investors only which was previously managed by the Special Situations division. In addition, the Sikra Capital division plans to launch four new funds in 2020, two funds with external investors only and one fund with a mixture of external and Jefferies Group investment and one managed account with an external investor. The successful launch of the new funds will generate additional revenues for the Company in future years.

The new divisions will provide the investment management services, under a sub management agreement with Jefferies Investment Advisers (JIA), on portfolios of investments held within the investment vehicles. It should be noted that the Company does not have any beneficial ownership of the funds under management or hold client monies. Under the terms of the sub-agreement with JIA the business generates both management and performance fee revenue streams.

The quantPort division provides market research and strategic insight to JIA in support of that entity's trading strategies. For the provision of these services the Company earns income on a "cost plus" basis from JIA thus providing a stable revenue stream.

The Company's Tenacis division, which provided market research to other Jefferies Financial Group Inc. subsidiaries closed down in the year and there are currently no future plans for any further activity in this division.

The Company faces a number of risks and uncertainties within its business. The Board believes that these risks and uncertainties are satisfactorily mitigated through the system of controls and senior management oversight that have been implemented throughout the business. The Board has assessed the impact of the United Kingdom's withdrawal from the European Union ("Brexit") and believe that the investment strategies implemented within the underlying investment funds will mitigate any resultant market shocks. As a result, the Board does not expect Brexit to have a material impact on the Company's fee revenue and profitability. The Board continues to monitor the impact of on-going COVID-19 pandemic on the Company's financial stability and future business prospects (see Directors' Reports).

The risks and uncertainties include: market risk, credit risk, liquidity risk, conduct risk, operational risk and capital risk. The risks and uncertainties faced by the business are discussed within the Directors' report.

2. GENERAL

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. The Company maintains regulatory capital and liquidity levels in compliance with the FCA's stipulated requirements.

On behalf of the Board

H M Tucker
Director

9 April 2020

100 Bishopsgate
London EC2N 4JL

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Leucadia Investment Management Limited (the "Company") for the year ended 30 November 2019. The information in relation to the Company's future developments is discussed in the Strategic Report.

1. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 30 November 2019 (2018: £nil).

2. GOING CONCERN

The directors have a reasonable expectation that there are adequate resources, both in terms of liquidity and regulatory capital, for the Company to continue in operational existence for the foreseeable future. This assessment is made considering the income generated from fund performance fees, "cost plus" income, strong capital position and the financial support through issuances of equity, from the Company's parent, Jefferies International Limited, when required.

The Company had cash of £0.6 million (2018: £4.4 million) and total shareholders' funds of £10.1 million (2018: £8.3 million) as at 30 November 2019. Post year end The Company will receive £5.8m from JIA to settle the 2019 performance fees which were recorded within receivables at the year end.

Since the year end, the world's financial markets have been significantly impacted by the on-going COVID-19 pandemic. The Company's directors have assessed the situation, including carrying out detailed stress-testing analysis, and have concluded that the Company's balance sheet and business model are sufficiently resilient to withstand the resultant market dislocation. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company acknowledges the risks it faces in undertaking its business and seeks to understand, assess and mitigate those risks in such a way that the financial impact is managed in accordance with the overall risk appetite of the Board.

The principal risks of the Company are:

- Market risk is the risk of loss from adverse changes in instrument values and/or earnings fluctuations arising from changes in market factors such as interest rates, exchange rates, and equity and commodity prices. The Company's exposure to market risk is limited to the performance fee component of income which is aligned to the performance of the trading positions within the investment vehicles. The investment vehicles' performance is continuously monitored by senior management so that corrective action can be taken if risk exceeds acceptable levels. The Company manages its foreign exchange risk on fee income earned by entering into derivative contracts that economically offset the risk exposure.

- Credit risk is the risk of loss due to adverse changes in clients' and other counterparties' creditworthiness, or their inability or unwillingness to meet their financial obligations under the terms and conditions of a financial contract as and when they fall due. The credit risk is mitigated by the fact that the Company engages with a limited number of counterparties, all within the Group, whose credit risk is well known to the Company. The age of outstanding creditors is monitored by the Company's management and pro-active action is taken to secure payment when required.

- Liquidity risk is the risk of the Company being unable to secure adequate funding to meet its current obligations. The liquidity risk is deemed to be limited for the Company as net cash outflows are fairly insignificant. Most of the Company's costs are payable to its parent company, Jefferies International Limited, due to the cost recharge arrangement with this entity. The liquidity risk is closely monitored by the Company's management team and adequate arrangements will be put in place to secure funding as required.

- Conduct risk is the risk that detriment is caused to our clients, to the Company or to the wider Group because of the inappropriate execution of our business activities. The Board has put in place various policies and procedures to ensure that each person working within the Company understand and comply with the regulatory and ethical standards expected of them.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company has in place a system of controls designed to mitigate operational risk.

- Capital risk is the risk that capital is inadequate to satisfy regulatory requirements, support business goals and general solvency. The FCA requires the Company to maintain specified levels of regulatory capital, which if the minimum conditions are not met would expose the Company to various sanctions, ranging from fines and censorship to partial or complete restrictions on the Company's ability to conduct business. The board closely monitors the Company's capital levels and will secure additional funding from the parent, Jefferies International Limited, if there is any risk of breaching the FCA's minimum requirements.

4. DIRECTORS

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

C Dolan	*(executive director)*	Resigned on 6th December 2018
S C Munyard	*(executive director)*	
H M Tucker	*(executive director)*	

The directors have no interest in the Company's shares. The directors are eligible to participate in the share-based incentive scheme managed by the ultimate parent company, Jefferies Financial Group Inc. All three directors who served during the year were remunerated through the parent company, Jefferies International Limited, for their services as directors to the Company. The costs of the directors are recharged by the parent, Jefferies International Limited, to the extent of their involvement in the operating activities of the Company.

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

5. EVENTS AFTER THE END OF THE REPORTING PERIOD

Since the year end, the world's financial markets have been significantly impacted by the on-going COVID-19 pandemic. The value of the financial assets within the underlying investment vehicles, to which the Company provide investment management services, have been materially adversely impacted. As a result, there is a risk that the Company's revenues will be materially reduced in the next financial year and possibly over an even longer period. As stated in note 2 above, the directors have assessed and concluded that the Company continues to be a going concern despite the impact of the COVID-19 pandemic.

6. STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each director in office at the date the Directors' Report is approved:

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

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

7. INDEPENDENT AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

On behalf of the Board

H M Tucker
Director

9 April 2020

100 Bishopsgate
London
EC2N 4JL

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the summary of significant accounting policies; and
- the related notes 1 to 15.

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

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

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

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

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

USE OF OUR REPORT

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

We have nothing to report in respect of these matters.

Fiona Walker

Fiona Walker FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

09 April 2020

Statement of comprehensive income

	Note	Year ended 30 November 2019 £	Year ended 30 November 2018 £
Revenue	5	14,680,798	10,933,278
Administrative expenses		(12,478,829)	(9,657,810)
Operating profit	6	2,201,969	1,275,468
Finance income	8	70,348	24,967
Profit on ordinary activities before taxation		2,272,316	1,300,435
Income tax	9	(434,816)	(145,527)
Profit and total comprehensive income for the financial year		1,837,500	1,154,908

The notes on pages 13 to 23 form part of these financial statements.

The Company has no other comprehensive income or recognised gains and losses other than those included in the income statement above and therefore, no statement of other comprehensive income has been presented.

Statement of financial position

		As at 30 November	
		2019	2018
	Note	£	£
Current Assets			
Debtors	10	12,142,814	4,604,901
Cash and cash equivalents		619,102	4,399,417
Total current assets		12,761,916	9,004,318
Total assets		12,761,916	9,004,318
Current liabilities			
Creditors: amounts falling due within one year	11	(2,642,326)	(722,229)
Total liabilities		(2,642,326)	(722,229)
Net assets		10,119,590	8,282,089
Equity			
Ordinary shares	12	6,207,303	6,207,303
Retained earnings		3,912,287	2,074,786
Total shareholders' funds		10,119,590	8,282,089

The notes on pages 13 to 23 form part of these financial statements.

The financial statements on pages 10 to 23 were approved by the board of directors on 9 April 2020 and were signed on its behalf by:

H M Tucker
Director

Company Registration No 04476927

Statement of changes in equity

	Note	Ordinary shares £	Retained earnings £	Total £
Balance as at 1 December 2017		2,707,986	1,256,306	3,964,292
Profit for the financial year		-	1,154,908	1,154,908
IFRS 15 transitional adjustment			(336,428)	(336,428)
Total comprehensive income for the year		-	818,480	818,480
Shares issued to parent		3,499,317	-	3,499,317
Total transactions with owners, recognised directly in equity		3,499,317	-	3,499,317
Balance as at 30 November 2018	12	6,207,303	2,074,786	8,282,089
Profit for the financial year		-	1,837,500	1,837,500
Total comprehensive income for the year		-	1,837,500	1,837,500
Shares issued to parent		-	-	-
Total transactions with owners, recognised directly in equity		-	-	-
Balance as at 30 November 2019	12	6,207,303	3,912,286	10,119,589

The notes on pages 13 to 23 form part of these financial statements.

Notes to the financial statements

1. General information

The Company manages investments on behalf of other Group entities. The investment funds under management held by other Group entities can originate from both internal and external investors. It should be noted that the Company does not have any beneficial ownership of the funds under management or hold client monies. The Company is a subsidiary of Jefferies International Limited which is an intermediate holding company for Jefferies Group LLC.

Jefferies Group LLC is wholly owned by Jefferies Financial Group Inc., a company listed on the New York Stock Exchange. Both Jefferies Group LLC and Jefferies Financial Group Inc. are companies incorporated in the United States of America.

The Company is a private limited company and is incorporated and domiciled in England, United Kingdom. The address of its registered office is 100 Bishopsgate, London EC2N 4JL.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 ("FRS 101") – Reduced Disclosure Framework. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and company law in the United Kingdom.

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

- paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1.
- the following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information), and
  - 134 – 136 (capital management disclosures).
- the requirement of IAS 7 'Statement of Cash Flows'.
- paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- IAS 24 'Related Party Disclosures' paragraph 17 (key management compensation),
- IAS 24 'Related Party Disclosures' requirement to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.
- the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119(a) to (c), 120 to 128 and 129 of IFRS 15 Revenue from Contracts with Customers.

The preparation of the financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies (see note 3 below).

2.2 **New and amended standards adopted by the Company**

On 1 December 2018, the Company adopted the provisions of IFRS 9 'Financial Instruments' ("IFRS 9") which replaced IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39"). As permitted by the transitional provisions of IFRS 9, the Company has elected not to restate prior year comparative figures. The consequential disclosure amendments to IFRS 7 'Financial Instruments': Disclosures have only been applied in the current period.

The adoption of IFRS 9 has resulted in changes in the Company's accounting policies for classification and measurement of financial assets and liabilities and impairment of financial assets (see section 2.7 and 2.8 below).

The main aspects of IFRS 9 which impact the Company are:

<u>Classification and measurement of financial assets</u>

The classification and measurement of financial assets are now determined based on a combination of the Company's business models and the nature of the assets' cash flows. As a result of this determination, the Company's financial assets will be grouped into the following categories: Fair Value through Profit or Loss (FVPL), Fair Value Through Other Comprehensive Income (FVOCI) and Amortised Cost.

The Company has completed a project to implement IFRS 9. As part of this project, the Company performed an evaluation of its business models and a review of the contractual terms of financial assets. The overall conclusion of this assessment was that the Company was not required to reclassify financial assets between the three categories on adoption of IFRS 9.

<u>Impairment of financial assets</u>

IFRS 9 has changed the impairment methodology for financial assets measured at amortised cost, replacing the incurred loss model of IAS 39 with a forward-looking Expected Credit Loss (ECL) approach.

The Company has completed its implementation project on the IFRS 9 revised approach for impairment of financial assets. The overall conclusion of the implementation project was that any ECLs on the Company's financial assets in scope were de minimis thus there is no requirement to recognise any ECLs.

2.3 **Going concern**

The financial statements are prepared on a going concern basis considering the available financial support from the Company's ultimate parent company, Jefferies International Limited and the financial strengths of the Company as outlined in the Directors' report.

The Company had cash of £0.6 million (2018: £4.4 million) and total shareholders' funds of £10.1 million (2018: £8.3 million) as at 30 November 2019. Post year end The Company will receive £5.8m from JIA to settle the 2019 performance fees which were recorded within receivables at the year end.

Since the year end, the world's financial markets have been significantly impacted by the on-going COVID-19 pandemic. The Company's directors have assessed the situation, including carrying out detailed stress-testing analysis, and have concluded that the Company's balance sheet and business model are sufficiently resilient to withstand the resultant market dislocation. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2.4 Revenue

Revenue is generated from the following categories of business:

- Management fee earned through the management of a portfolio of investments and provision of market research / strategic insight. The fee revenue is recognised when the performance obligations contained within the contract are satisfied by transferring the promised services to the customer. The performance obligations associated with these fees are satisfied over time.
- Performance fee earned on the performance of a portfolio of investments under management. The fee revenue is recognised when the performance obligations contained within the contract are satisfied by transferring the promised services to the customer. The performance obligations associated with these fees are satisfied at point in time.
- Other income includes commission fee revenue earned on the provision of investment research information to customers and foreign exchange adjustments on assets and liabilities denominated in currencies other than Pounds Sterling. The investment research is obtained from third party providers by the Company on a principal basis. The investment research revenue is recognised when the performance obligations contained within the contract are satisfied by transferring the promised services to the customer. The performance obligations associated with these fees are satisfied over time.

2.5 Cash at bank and in hand

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

2.6 Debtors

Debtors are amounts due from other companies of the Group in payment for the provision of the Company's investment management services.

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment.

2.7 Creditors

Creditors are primarily the amounts owed to other companies of the Group in relation to the recharge of staff costs and other expenses incurred.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.8 Impairment of financial assets

On 1 December 2018, the Company adopted IFRS 9 which requires an assessment, on a forward-looking basis, of the ECL associated with financial assets measured at amortised cost. The measurement of ECL should reflect an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. ECLs are recorded in impairment on financial assets within the Income Statement.

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

- **Stage 1.** Financial assets measured at amortised cost that are not credit-impaired on initial recognition and there has been no significant increase in credit risk since initial recognition. Any ECL would be measured at an amount equal to the expected credit losses that result from default events possible within the next twelve months.

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

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

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

The Company considers a financial asset to be credit impaired when it meets our definition of default, which is either when the Company considers that the obligor is unlikely to settle its contractual obligations in full, or the obligor has defaulted on a payment and/or is past due more than 90 days. These two conditions are utilised in the identification of credit-impaired assets which would trigger a transfer to stage 3.

Prior to 1 December 2018, the Company assessed its financial assets for any objective evidence of impairment. If there was no objective evidence that an impairment had been incurred, the amount of the loss was measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss was included within impairments on financial assets.

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

2.9 Taxation

Current tax, including UK corporation 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.

2.10 Foreign currencies

<u>Functional and presentational currency</u>

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement at the average rates of exchange for the year.

2.11 Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax from the proceeds.

2.12 Segmental information

The Company does not fall within the scope of IFRS 8 as a result, no segmental information has been included in this report.

3. Use of estimates and uncertainty

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the financial statements and related disclosures. The business model of the Company does not require a large amount of judgement however the below point is significant to the Company:

- costs are allocated from other Jefferies Group companies based on the time spent in support of the Company's activities. The Company has made a judgement on the appropriate allocation percentages required to recognise the correct costs within the Company's income statement. See note 5 for the total costs allocated to the Company in the year.

The Company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable.

4. Transition to IFRS 9

As discussed in note 2, the Company adopted IFRS 9 on 1 December 2018. There was no adjustment to retained earnings required on adoption due to the following two facts:
- no reclassification of the Company's financial assets required under IFRS 9;
- no material difference between the ECLs applicable under IFRS 9 and the bad debt provisions under IAS 39 as applied to the Company's financial assets within scope as at 1 December 2018.

The table below shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 December 2018 in accordance with the Company's updated accounting policies on the classification and impairment of financial instruments under IFRS 9 as set out in note 2.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Unchanged carrying amount under IAS 39 and IFRS 9 £
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	4,399,417
Intercompany receivables			4,552,972
Other receivables			51,929
Total financial assets			9,004,318
Financial liabilities			
Intercompany payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	389,338
Corporation tax payable			145,527
Accruals and deferred income			187,364
Total financial liabilities			722,229

5. Revenue

Analysis of revenue by category:

	2019	2018
	£	£
Management fees	6,233,424	6,277,531
Performance fees	7,508,361	3,876,022
Other Income	939,013	779,725
	14,680,798	10,933,278

IFRS 15: Revenue from Contracts with Customers

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

The Company's management fees are recognised over time (i.e. evenly through the year) as those services are provided to the customers. The Company's performance fees are recognised at a point in time once those services have been fully provided as per the contractual terms. Investment research commissions, included within Other Income, are recognised over time as those services are provided to the customers.

The Company had receivables related to revenues from contracts with customers of £5.8 million as at 30 November 2019 (2018: £4.5 million). The Company had no impairment related to these receivables during the year ended 30 November 2019.

The Company had no deferred revenue as at either 30 November 2018 or 30 November 2019.

6. Operating profit

Operating profit is stated after charging:

	2019 £	2018 £
Recharged costs from other Jefferies Group companies:		
- Investment advisory team costs	9,249,848	7,365,377
- Other support costs	195,918	236,039
Audit fee payable to the Company's auditor:		
- Audit related assurance	40,000	40,000
- Non-audit related assurance	13,405	13,405

7. Employees and directors

Employees

The Company currently has no employees (2018: none). The operating activities are performed by employees of the Company's immediate parent, Jefferies International Limited, whose costs are recharged to the Company.

Directors:

The directors' remuneration was as follows:

	2019 £	2018 £
Aggregate remuneration	3,415,058	2,018,751
Pension contributions	-	9,564
	3,415,058	2,028,315

The directors were not granted any share awards in Jefferies Financial Group Inc. for the year ended 30 November 2019 (2018: nil).

Two directors who served in the year were members of the defined contribution plan, operated for all eligible employees of the Jefferies Group LLC and its subsidiaries (2018: two).

Highest paid director

The highest paid director's remuneration was as follows:

	2019 £	2018 £
Aggregate remuneration	3,383,808	1,428,886
	3,383,808	1,428,886

8. Interest income

Finance income

	2019 £	2018 £
Bank interest income	70,348	24,967

9. Income tax

The tax expense for the year is higher (2018: lower) than the standard rate of corporation tax in the United Kingdom for the year ended 30 November 2019 of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before taxation	2,272,316	1,300,435
Tax expense thereon at the standard rate of corporation tax in the United Kingdom of 19.0% (2018: 19.0%)	(431,741)	(247,083)
Disallowed expenses	(2,114)	(1,129)
Adjustment in respect of previous years	(961)	-
Unpaid group relief	-	102,685
Total tax	(434,816)	(145,527)

Finance Act 2016 enacted a reduction in the main UK corporation tax rate to 17% with effect from 1 April 2020. However, The Conservative Party has indicated that it plans to keep the corporation tax rate at 19%, thereby no longer reducing the rate to 17% from 1 April 2020. As there is currently no substantively enacted legislation in place, this plan has not been reflected in these financial statements.

10. Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Amounts owed by group undertakings	12,127,626	4,552,973
Other debtors	15,188	51,928
	12,142,814	4,604,901

The directors consider that the carrying value of the receivables from debtors is approximately equivalent to fair value.

The Company was owed £5,800,523 by Jefferies Investment Advisers (JIA), a wholly owned subsidiary of Jefferies Group LLC, as at 30 November 2019. The amount owed by JIA is unsecured, has no fixed date of repayment and is repayable on demand. JIA settles the intercompany payable with the Company on a monthly basis.

The Company was owed £6,230,000 by Jefferies International Limited (JIL), in relation to a revolving loan facility agreed on 2 April 2019. The amount owed, as part of the revolving loan facility, is unsecured, has a maturity date of 30 June 2020 and is repayable by the borrower on a 93-day notice period. Management's view is that JIL is able to repay the loan if required by the Company.

The amounts owed by group undertakings ("intercompany debt") are categorised as Stage 1 for IFRS 9 impairment purposes (see note 2.8). JIA and JIL either have an investment grade credit rating or their immediate parent has an investment grade credit rating, therefore the Company considers these receivables to be low credit risk assets for impairment purposes under IFRS 9. The Company has not recognised any ECLs, under IFRS 9, on the intercompany debt as at 30 November 2019.

11. Creditors: amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	1,923,917	389,338
Other creditors:		
- Corporation tax payable	433,855	145,527
- Accruals and deferred income	284,554	187,364
	2,642,326	722,229

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

12. Ordinary shares

Ordinary shares of £1 par value each

	2019	
Allotted and fully paid	No.	£
At 1 December 2018	6,207,303	6,207,303
Issued during the year	-	-
At 30 November 2019	6,207,303	6,207,303

13. Related parties transactions

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

14. Controlling parties

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

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

The ultimate parent undertaking the largest group to consolidate these financial statements is Jefferies Financial Group Inc. Copies of the financial statements of Jefferies Financial Group Inc. are available on request from 520 Madison Avenue, New York, New York 10022, United States of America.

15. Events after the end of the reporting period

Since the year end, the world's financial markets have been significantly impacted by the on-going COVID-19 pandemic. The value of the financial assets within the underlying investment vehicles, to which the Company provide investment management services, have been materially adversely impacted. As a result, there is a risk that the Company's revenues will be materially reduced in the next financial year and possibly over an even longer period. As stated in note 2 overleaf, the directors have assessed and concluded that the Company continues to be a going concern despite the impact of the COVID-19 pandemic.