

## **DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

### **TABLE OF CONTENTS**

	<i>Page No</i>
Directors' Report.....	1 - 2
Statement of Directors' responsibilities.....	3
Independent auditors' Report to the Members of Jefferies International Limited.....	4
Consolidated Profit and Loss Account .....	5
Consolidated Statement of Recognised Gains and Losses .....	6
Consolidated Balance Sheet.....	7
Balance Sheet.....	8
Notes to the Financial Statements.....	9-19



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Profit and Loss Account for the year is set out on page 5.

The Company trades as a stockbroker, a dealer in equities and debt instruments, and acts as a representative office for its American parent company and fellow subsidiary undertakings. It is regulated by The Financial Services Authority and is a member of The London Stock Exchange.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The directors do not recommend the payment of a dividend for the year ended 31 December 2002 (2001: nil). The profit for the financial year of £1,242,000 (2001: £2,696,000) will be transferred to reserves.

### **DIRECTORS AND DIRECTORS' INTERESTS**

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

R B Handler	(Chairman, appointed 15 February 2002)
F E Baxter	(Chairman, resigned 15 February 2002)
J L Conroy	
J F Graham	
S Hiestand	
AJ Hope	
HAC Reid	
P R V Shivers	
C A Siegel	

No right to subscribe for shares in or debentures of the Company was, during the financial year, granted to or exercised by any director or their immediate family.

No director had a beneficial interest in Jefferies International Limited.

### **CHARITABLE DONATIONS**

Charitable donations amounting to £10,062 (2001: £15,881) were made by the company and its subsidiary undertakings during the financial year.

**AUDITORS**

A resolution is to be proposed at the forthcoming annual general meeting for the reappointment of KPMG Audit Plc as auditors of the company.

**By order of the board**



Janet M Lewis  
**COMPANY SECRETARY**

Bracken House  
1 Friday Street  
London EC4M 9JA  
31 March 2003

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those 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 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 will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JEFFERIES INTERNATIONAL LIMITED**

We have audited the financial statements on pages 5 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 AUDITORS**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

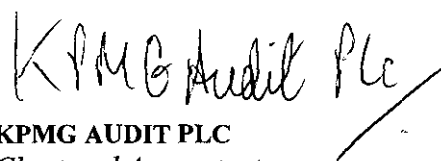
**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**KPMG AUDIT PLC**  
*Chartered Accountants*  
*Registered Auditor*

London  
31 March 2003

**CONSOLIDATED PROFIT AND LOSS ACCOUNT***for the year ended 31 December 2002*

	<i>Notes</i>	<b>2002</b> <b>£000</b>	<b>2001*</b> <b>£000</b>
<b>Turnover</b>	<i>2</i>	<b>37,305</b>	37,556
Administrative expenses		<u><b>(32,616)</b></u>	<u>(33,515)</u>
<b>Operating profit</b>		<b>4,689</b>	4,041
Profit on sale of investment	<i>3</i>	-	2,888
Interest receivable and similar income	<i>4</i>	<b>691</b>	1,369
Interest payable and similar charges	<i>5</i>	<u><b>(4,698)</b></u>	<u>(4,276)</u>
<b>Profit on ordinary activities before taxation</b>	<i>6</i>	<b>682</b>	4,022
Tax on profit on ordinary activities	<i>11</i>	<u><b>560</b></u>	<u>(1,326)</u>
<b>Retained profit for the financial year</b>	<i>20</i>	<u><u><b>1,242</b></u></u>	<u><u>2,696</u></u>

The notes on pages 9 to 19 form part of these financial statements.

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

\* Restated in accordance with Note 1a.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
*for the year ended 31 December 2002*

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Retained profit for the financial year	1,242	2,696
Foreign exchange differences	507	(500)
<b>Total recognised gains and losses for the year</b>	<u><b>1,749</b></u>	<u><b>2,196</b></u>
Prior year adjustment*	(231)	
<b>Total recognised gains and losses since the last annual report</b>	<u><b>1,518</b></u>	

\* Restated in accordance with Note 1a.

**CONSOLIDATED BALANCE SHEET**

at 31 December 2002

	Notes	2002 £000	2001* £000
<b>Fixed assets</b>			
Tangible assets	12	1,741	2,546
<b>Current assets</b>			
Debtors	14	153,403	127,010
Investments	15	8,384	21,076
Cash at bank and in hand		10,908	7,590
		<u>172,695</u>	<u>155,676</u>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	16	(148,217)	(130,669)
Investments	15	<u>(12)</u>	<u>(6,393)</u>
		<u>(148,229)</u>	<u>(137,062)</u>
<b>Net current assets</b>		<u>24,466</u>	<u>18,614</u>
<b>Total assets less current liabilities</b>		<u>26,207</u>	<u>21,160</u>
<b>Creditors :amounts falling due after one year</b>	17	<u>(1,900)</u>	<u>(1,900)</u>
<b>Net assets</b>		<u><u>24,307</u></u>	<u><u>19,260</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	10,648	7,350
Share premium account	20	2,162	2,162
Legal and other reserves	20	1,599	736
Profit and loss account	20	<u>9,898</u>	<u>9,012</u>
<b>Shareholder's funds</b>	21	<u><u>24,307</u></u>	<u><u>19,260</u></u>

These financial statements were approved by the board of directors on 31 March 2003 and were signed on its behalf by:

  
C A Siegel  
MANAGING DIRECTOR

\* Restated in accordance with Note 1a.



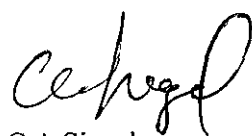
**BALANCE SHEET**

at 31 December 2002

	Notes	2002 £000	2001* £000
<b>Fixed assets</b>			
Tangible assets	12	1,567	2,145
Investments	13	6,740	6,740
		<u>8,307</u>	<u>8,885</u>
<b>Current assets</b>			
Debtors	14	148,940	123,346
Investments	15	7,890	20,960
Cash at bank and in hand		4,222	1,649
		<u>161,052</u>	<u>145,955</u>
<b>Creditors: amounts falling due within one year</b>	16	(146,780)	(129,882)
Investments	15	(12)	(6,393)
		<u>(146,792)</u>	<u>(136,275)</u>
<b>Net current assets</b>		<u>14,260</u>	<u>9,680</u>
<b>Total assets less current liabilities</b>		<u>22,567</u>	<u>18,565</u>
<b>Creditors: amounts falling due after one year</b>	17	(1,900)	(1,900)
<b>Net assets</b>		<u>20,667</u>	<u>16,665</u>
<b>Capital and reserves</b>			
Called up share capital	19	10,648	7,350
Share premium account	20	2,162	2,162
Other reserves	20	442	400
Profit and loss account		7,415	6,753
<b>Shareholder's funds</b>	21	<u>20,667</u>	<u>16,665</u>

As permitted by section 230 of the Companies Act 1985, the company has not presented its profit and loss account. The retained profit attributable to the company for the year is £662,000 (2001: £2,100,000).

These financial statements were approved by the board of directors on 31 March 2003 and were signed on its behalf by:



C A Siegel  
MANAGING DIRECTOR

\* Restated in accordance with Note 1a.

**NOTES TO THE FINANCIAL STATEMENTS**

*for the year ended 31 December 2002*

**1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except that as explained in note 1a.

***Group accounts***

Subsidiary undertakings have been consolidated using the closing rate method of accounting.

***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified by the inclusion of trading stocks in shares at market value. As permitted by Financial Reporting Standard 1, no cash flow statement is presented in these accounts as the company is a wholly owned subsidiary of Jefferies Group Inc which presents such a statement in its own published consolidated financial statements. In addition, advantage has been taken of the exemption available under FRS8 not to disclose details of transactions with Jefferies Group Inc or any other group or associated undertakings, as the consolidated accounts of Jefferies Group Inc in which the company is included are publicly available.

***Income recognition***

All transactions in securities, commission revenues, other dealing income, service fee income and related expenses are recorded on an accruals basis. Securities, whether held long or short, are valued at market, and unrealised gains or losses are reflected in dealing income. Investment management and performance fees are recorded when earned.

***Fixed assets and depreciation***

Fixed Assets are depreciated on the following basis :-

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

***Trading stocks***

Marketable securities held as current trading stocks are stated at market value and profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985 which requires that such assets be stated at the lower of cost and net realisable value, or that if revalued any revaluation differences be taken to revaluation reserve. The directors consider that these requirements would fail to give a true and fair view of the profit for the year of a company that holds readily marketable investments as current assets since their marketability enables decisions to be taken continually about whether to hold or sell those assets, and hence the economic measure of performance in any period is properly made by reference to market values. It is not practicable to quantify the effect on the financial statements of these departures since information on original cost, being of no continuing relevance to the business, is not readily available.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised 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.

***Foreign currencies***

- i. 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

- ii. Exchange differences arising from the retranslation of opening foreign currency net investments and from translation of the result for the year from the average rate to the exchange rate ruling at the year-end are accounted for in reserves.
- iii. Other exchange differences are recognised in the profit and loss account.

***Pension costs***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. Pension costs are accrued on a monthly basis over each individual's term of employment.

***Creditor Payment Policy***

The company agrees payment terms and conditions with individual suppliers, once agreed it is the policy of the company to abide by the terms of payment.

**1a Prior period adjustments**

(1) FRS19 "Deferred tax" became applicable to the company during 2002. This has necessitated a change in accounting policy. Deferred tax is now recognised in full, subject to the recoverability of deferred tax assets. The principal effect is that deferred tax assets are now recognised on the cost of granting shares in Jefferies Group Inc. to employees in lieu of bonuses. The stock does not vest immediately and cannot be deducted for tax until it does. The change in accounting policy has been reflected by way of a prior period adjustment. The effect on the comparative figures has been:

- in the group and company balance sheets to increase deferred tax assets by £328,000;
- in the group profit and loss account to increase the tax charge by £111,000;
- in respect of both the group and the company to increase shareholders funds at 1 January 2001 by £439,000

The effect on the current year profit and loss account is a credit of £125,000 to deferred tax. The effect on shareholder's funds of the company and the group at 31 December 2001 was an increase of £328,000.

(2) The company did not accrue the cost of shares granted to employees in lieu of bonuses in its 2001 balance sheet. This accrual had been made at Jefferies Group. The comparative for 2001 has therefore been restated by way of a prior period adjustment. The effect is to increase administrative expenses and decrease operating profit, profit on ordinary activities before taxation and retained profit for the financial year in the group profit and loss account by £368,000. Amounts due to parent undertakings in the group and company balance sheets are increased by this amount, while the company's profit and loss account reserve is reduced by it. The effect on shareholder's funds of the company and the group at 31 December 2001 was a decrease of £368,000.

(3) Service fee income is estimated at the year end and finalised subsequent to the year end. Any adjustments in Jefferies (Japan) Limited, a subsidiary of the company, have historically not been posted to the statutory accounts. The group comparatives for 2001 have therefore been restated by way of a prior period adjustment to correct this and the associated tax effects. The effect is to increase turnover and reduce the operating loss, loss on ordinary activities before tax and retained loss for 2001 by £243,000, reduce shareholders' funds brought forward at 1 January 2001 by £434,000 and at 1 January 2002 by £191,000, and to establish a tax creditor at 31 December 2001 of £363,000 and a debtor from parent companies at that date of £172,000. The effect on shareholder's funds of the group at 31 December 2001 was a decrease of £191,000.

**2 Turnover**

The group's turnover represents commission on dealing; profit on trading in equities and debt instruments; and amounts receivable from the provision of services to fellow subsidiary undertakings.

	2002 £000	2001* £000
Commission and other dealing income	26,362	23,048
Service fee income	8,490	12,248
Other income	2,453	2,260
	<u>37,305</u>	<u>37,556</u>

\* Restated in accordance with Note 1a.

**3 Profit on sale of investments**

Last year the company held shares in The London Stock Exchange. These had no historical cost and were held at nil value in the accounts. During the year a decision was made to transfer these shares to the trading book and to mark them to market. These were sold during the year at a profit of £2,888,000 over their historic cost. A further unrealised profit of £73,680 was made on the company's remaining holding on its transfer to the trading book. This was included within turnover.

**4 Interest receivable and similar income**

	2002 £000	2001 £000
Interest receivable from group undertakings	70	67
Other interest income	621	1,302
	<u>691</u>	<u>1,369</u>

**5 Interest payable and similar charges**

	2002 £000	2001 £000
Payable to parent undertaking	4,204	3,651
Other interest payable on other loans wholly repayable within five years	494	625
	<u>4,698</u>	<u>4,276</u>

**6 Profit on ordinary activities before taxation**

	2002 £000	2001 £000
<b>Profit on ordinary activities before taxation is stated after charging</b>		
Auditors' remuneration for audit	46	44
Depreciation of tangible fixed assets	1,098	1,072
Directors' emoluments as executives	<u>1,635</u>	<u>2,064</u>

Remuneration of the company's auditors, for the provision of non-audit services to the company and its subsidiary during the year, amounted to £280,111 (2001: £184,082). This included taxation and company secretarial advice.

**7 Remuneration of directors**

The highest paid director received emoluments of £391,278 (2001: £499,802) and £13,257 in contributions (2001: £14,652) were made to a pension scheme on his behalf.

The emoluments of the directors (including the chairman and highest paid director) were as follows:

<b>Directors</b>	2002 £000	2001 £000
Emoluments	1,569	2,000
Pension Contributions	<u>66</u>	<u>64</u>
	<u>1,635</u>	<u>2,064</u>

Contributions to money purchase pension schemes were made on behalf of 5 directors (2001: 5) in 2002.

**8 Directors' loans**

The following directors had interest free loan agreements, with Jefferies International Limited, during the financial year:

	Liability 31 December 2002 £	Maximum Liability during the financial year £	Liability 1 January 2002 £
<b>J F Graham</b>	3,734	4,149	3,787
<b>P R V Shivers</b>	<u>520</u>	<u>715</u>	<u>467</u>

Each loan was repayable in equal monthly instalments over a maximum term of 12 months.

**9 Staff numbers and costs**

The average number of employees (including directors) during the year was 152 (2001:148): The split of these was as follows:

	2002 £000	2001 £000
Front office staff	99	97
Administration staff	53	51
	<u>152</u>	<u>148</u>

The aggregate payroll costs were as follows :

	2002 £000	2001* £000
Wages and salaries	15,819	16,698
Social Security costs	1,844	2,221
Other pension costs	1,098	1,046
	<u>18,761</u>	<u>19,965</u>

\* Restated in accordance with Note 1a.

**10 Pension costs**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged against profits includes contributions payable by the company to the fund amounting to £543,000 (2001: £553,000). There were no contributions payable (2001: nil) at the year end.

**11 Taxation**

	2002 £000	2001 £000
UK Corporation tax at 30% on the profit for the year	158	1,024
Double tax relief	<u>(158)</u>	-
	-	1,024
Adjustments to UK corporation tax in respect of prior years	<u>(600)</u>	-
	(600)	1,024
Overseas tax	150	191
Deferred tax	<u>(110)</u>	111
	<u>(560)</u>	<u>1,326</u>

**11 Taxation (continued)**

**Tax reconciliation**

	2002 £000	2001 £000
Profit on ordinary activities before taxation	682	4,022
Tax on profit on ordinary activities before taxation at the standard rate of corporation tax in the United Kingdom of 30% (2001: 30%)	205	1,206
Adjustments in respect of prior periods	(600)	-
Disallowed expenses	156	-
Unrelieved losses	50	-
Tax credits recoverable	(348)	-
Withholding tax not relieved	49	-
Deferred tax on capital allowances in excess of depreciation	15	-
Deferred tax on stock awards	(125)	111
Other	38	9
Total current tax	<u>(560)</u>	<u>1,326</u>

**12 Tangible fixed assets**

Group	Leasehold Improvements £000	Fixtures & Fittings £000	Total £000
<b>Cost</b>			
As at 1 January 2002	2,028	5,669	7,697
Additions	42	260	302
Disposal	(73)	(29)	(102)
As at 31 December 2002	1,997	5,900	7,897
<b>Depreciation</b>			
As at 1 January 2002	915	4,236	5,151
Disposals	(73)	(20)	(93)
Charge for year	338	760	1,098
As at 31 December 2002	1,180	4,976	6,156
<b>Net Book Value</b>			
As at 31 December 2002	<u>817</u>	<u>924</u>	<u>1,741</u>
As at 31 December 2001	<u>1,113</u>	<u>1,433</u>	<u>2,546</u>

12 Tangible fixed assets (continued)

Company	Leasehold Improvements £000	Fixtures & Fittings £000	Total £000
<b>Cost</b>			
As at 1 January 2002	1,711	4,807	6,518
Additions	<u>42</u>	<u>173</u>	<u>215</u>
As at 31 December 2002	1,753	4,980	6,733
<b>Depreciation</b>			
As at 1 January 2002	734	3,639	4,373
Charge for year	<u>219</u>	<u>574</u>	<u>793</u>
As at 31 December 2002	953	4,213	5,166
<b>Net Book Value</b>			
As at 31 December 2002	<u>800</u>	<u>767</u>	<u>1,567</u>
As at 31 December 2001	<u>977</u>	<u>1,168</u>	<u>2,145</u>

13 Fixed asset investments

Shares in group undertakings

	£000
At 1 January 2002 and 31 December 2002	<u>6,740</u>

The details of the subsidiaries, which have been included in the consolidation, are as follows:

Name of undertaking	Description of shares held	Proportion of nominal value of issued shares held by the group and company	Principal activity
Jefferies (Switzerland) Limited	Ordinary SF 1000 Shares	100%	Introducing Broker
Jefferies Asset Management Limited	Ordinary SF 100 Shares	100%	Asset Management
Jefferies (Japan) Limited	Ordinary £1 Shares	100%	Broker/Dealer
Jefferies International (Nominees) Limited	Ordinary £1 Shares	100%	Nominee Company
Jefferies International (Nominees) Client Account Limited	Ordinary £1 Shares	100%	Nominee Company

Apart from Jefferies (Switzerland) Limited and Jefferies Asset Management Limited which are registered in Switzerland, all subsidiaries are registered in England and Wales.



# 14 Debtors

	Group		Company	
	2002	2001*	2002	2001*
	£000	£000	£000	£000
Trade debtors	120,143	100,559	120,143	100,471
Amounts owed by parent and fellow subsidiary undertakings :				
- Trading	24,473	19,420	24,473	19,248
- Non trading	3,138	4,197	966	1,994
Other debtors	4,289	1,723	2,463	796
Prepayments	831	692	366	418
Deferred Taxation (note 18)	529	419	529	419
	<u>153,403</u>	<u>127,010</u>	<u>148,940</u>	<u>123,346</u>

All of the above amounts fall due within one year.

\* Restated in accordance with Note 1a.

# 15 Investments

Shares in listed securities and debt instruments

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Shares in listed securities and debt instruments	<u>8,384</u>	<u>21,076</u>	<u>7,890</u>	<u>20,960</u>
Shares in listed securities and debt instruments	<u>(12)</u>	<u>(6,393)</u>	<u>(12)</u>	<u>(6,393)</u>

# 16 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001*	2002	2001*
	£000	£000	£000	£000
Bank overdraft	891	12,112	598	12,109
Trade creditors	111,132	87,072	111,098	87,032
Amounts owed to parent and fellow subsidiary undertaking:				
Non trading	2,028	4,819	1,894	4,761
Trading	26,069	18,640	26,069	18,640
Amounts owed to subsidiary undertakings:				
Non trading	-	-	2,321	1,965
Other creditors including taxation and social security				
Corporation tax	888	1,005	-	398
Other taxes	138	357	132	294
Social security	1,002	1,020	1,002	928
Other creditors	492	569	215	452
Accruals & deferred income	5,577	5,075	3,451	3,303
	<u>148,217</u>	<u>130,669</u>	<u>146,780</u>	<u>129,882</u>

\* Restated in accordance with Note 1a.

**17 Creditors: amounts falling due after one year**

<b>Group and Company</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Amounts due to parent undertaking:		
Subordinated loan	150	150
Amounts due to fellow subsidiary undertaking:		
Subordinated loan	1,750	1,750
	<u>1,900</u>	<u>1,900</u>

These amounts are repayable 5 years from the lender giving notice to the borrower.

**18 Deferred Taxation Asset**

	<b>Group and Company</b>
	<b>£000</b>
At 1 January 2002 *	419
Profit and loss account	110
<b>At 31 December 2002</b>	<b><u>529</u></b>

Deferred taxation is provided due to the tax effect of timing differences caused by excess tax allowances over depreciation and deferred compensation plans.

Deferred tax comprises:

<b>Group and Company</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Depreciation charged in excess of capital allowances	76	91
Share awards not yet deductible for tax	453	328
	<u>529</u>	<u>419</u>

\* Restated in accordance with Note 1a.

Deferred tax assets of £527,000 (2001:£431,000) in respect of bonuses and pension payments accrued for but not deductible until paid, and depreciation being charged earlier than capital allowances accrue, have not been recognised in a subsidiary because it is not currently profitable.

**19 Called up Share Capital**

<b>Group and Company</b>	<b>2002</b>	<b>2001</b>
Authorised		
11,000,000 ordinary shares of £1 each	<u>11,000,000</u>	<u>7,350,400</u>
Allotted, called up and fully paid		
10,648,043 ordinary shares of £1 each	<u>10,648,043</u>	<u>7,350,400</u>

An additional 3,297,643 shares were issued at £1 each during 2002 to increase the company's capital for trading purposes.

**20 Share Premium account and reserves**

Group and Company	Share premium account £000	
At 1 January 2002 and at 31 December 2002	<u>2,162</u>	
<b>Legal and Other Reserves</b>	<b>Group</b>	<b>Company</b>
	<b>2002</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
As at 1 January 2002	736	400
Transfer from Profit and Loss account	<u>863</u>	<u>42</u>
As at 31 December 2002	<u><u>1,599</u></u>	<u><u>442</u></u>

The movement for the year on legal and other reserves represents a transfer from retained earnings to legal reserves to satisfy the local regulatory requirements of subsidiary companies.

Profit and Loss account	Group 2002 £000
As at 1 January 2002 (Restated in accordance with Note 1a)	9,012
Retained profit for the year	1,242
Foreign exchange difference	507
Transfer to legal reserve	<u>(863)</u>
	<u><u>9,898</u></u>

**21 Reconciliation of movements of funds**

Group	2002 £000	2001 £000
Opening Shareholder's funds (previously £17,059,000 in 2001 before a prior year adjustment of £5,000 as set out in Note 1a)	19,260	17,064
Retained profit for the financial year	1,242	2,696
Foreign exchange differences	507	(500)
Issue of shares	<u>3,298</u>	<u>-</u>
Closing funds	<u><u>24,307</u></u>	<u><u>19,260</u></u>
<b>Company</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Opening Shareholder's funds (previously £14,126,000 in 2001 before a prior year adjustment of £439,000 as set out in Note 1a)	16,665	14,565
Retained profit for the financial year	662	2,100
Foreign exchange differences	42	-
Issue of shares (Note 19)	<u>3,298</u>	<u>-</u>
Closing funds	<u><u>20,667</u></u>	<u><u>16,665</u></u>

\* Restated in accordance with Note 1a.

**22 Immediate and ultimate holding company**

The immediate holding company is Jefferies International Holdings Limited which is incorporated in Great Britain. Copies of the accounts are publicly available at the Registrar of Companies. The ultimate holding company is Jefferies Group Inc. which is incorporated in the United States of America. Group accounts are available from 11100 Santa Monica Boulevard, Suite 1000, Los Angeles, California 90025.