Company Registration No 4323818

ASYMMETRIC CAPITAL MANAGEMENT LIMITED

Directors' Report and Financial Statements

31 December 2005

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2005.

Principal activities and review of business
The Profit and Loss account for the year is set out on page 4.

The company provided consultancy services. On 31 October, 2005 the company ceased to trade. The directors will be seeking an orderly winding up of the company as soon as is practical after the year end. As the directors intend to liquidate the company following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The directors are of the opinion that there is no material difference between the carrying value of assets and their net realisable value.

Dividends
Dividends paid during the year comprise a final dividend of £3,700,000 (£12,333.33 per share) in respect of the year ended 31 December 2005 (*2004*: £nil). The retained loss after payment of the dividend is £4,297,278 for the year (*2004*: profit of £4,233,796) and this will be transferred to reserves.

Directors
The directors who held office during the 12 months ended 31 December 2005 were as follows:

A J Hope	(resigned 1 March 2005)
D Moore	(resigned 16 February 2005)
C A Siegel	
R Tyrwhitt-Drake	(resigned 10 October 2005)
J L Conroy	(appointed 8 March 2006)

All directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Interests in shares
As at 1 January 2005 R Tyrwhitt-Drake and D Moore each held 75 £1 ordinary shares in the company. On 16 February 2005 D Moore sold his shares to the remaining shareholders and on 10 October 2005 R Drake sold his shares to the remaining shareholder. None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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.

Charitable donations
Charitable donations amounting to £nil (*2004*: £3,600) were made by the company during the financial year.

Auditors
In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Janet M Lewis
Company Secretary

Bracken House
1 Friday Street
London EC4M 9JA
31 March 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASYMMETRIC CAPITAL MANAGEMENT LIMITED

We have audited the financial statements of Asymmetric Capital Management Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 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 auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG AUDIT PLC
Chartered Accountants
Registered Auditor

8 Salisbury Square
London EC4Y 8BB
United Kingdom
31 March 2006

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	Notes	2005	2004
		£	£
Turnover	*2*	**857,712**	8,700,049
Administrative expenses		**(1,515,192)**	(2,616,999)
Operating (loss) / profit		**(657,480)**	6,803,050
Interest receivable and similar income		**60,202**	2,956
(Loss)/profit on ordinary activities before taxation	*3*	**(597,278)**	6,086,006
Tax on (loss) / profit on ordinary activities	*7*	**-**	(1,852,210)
Retained (loss) / profit for the year	*13*	**(597,278)**	4,233,796

The notes on pages 6 to 11 form part of these financial statements.

All of the company's activities were discontinued during the current year.

The company has no recognised gains or losses other than those included in the Profit and Loss account above and therefore, no separate statement of total recognised gains and losses has been presented.

BALANCE SHEET
at 31 December 2005

	Notes		2005		2004
		£	£	£	£
Fixed assets					
Tangible assets	*9*		-		21,195
			-		21,195
Current assets					
Debtors	*10*	23,209		1,561,826	
Cash at bank and in hand		690,846		4,973,624	
		714,055		6,535,450	
Creditors: amounts falling due within one year	*11*	(263,886)		(1,809,198)	
Net current assets			450,169		4,726,252
Net assets			450,169		4,747,447
Capital and reserves					
Called up share capital	*12*		300		300
Share premium account	*13*		438,978		438,978
Profit and loss account	*13*		10,891		4,308,169
Shareholders' funds	*14*		450,169		4,747,447

These financial statements were approved by the board of directors on 31 March 2006 and were signed on its behalf by:

John Conroy

J L Conroy
DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

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.

Basis of preparation

Due to a restructuring of the parent undertaking during the year and the company ceasing to trade on 31 October 2005, the directors will be seeking an orderly winding up of the company as soon as is practical after the year end. In previous years, the financial statements have been prepared on a going concern basis. As it is intended to liquidate the company following the settlement of the remaining net assets, the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

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 Financial Reporting Standard 8 not to disclose details of transactions or balances with Jefferies Group, Inc. or any other group or associated undertakings, as the consolidated accounts of Jefferies Group, Inc. in which the company is included are publicly available.

Foreign currency translation

Transactions denominated in foreign currencies are recorded in sterling at the ruling rates of exchange on the dates of the transaction. Assets and liabilities are translated using the rate of exchange ruling at the balance sheet date.

Income recognition

All fees are recorded on an accruals basis as they fall due in accordance with the terms of the relevant contract.

Fixed assets and depreciation

Fixed Assets are depreciated on the following basis :-

1 : Computer equipment – straight line basis over 3 years

2 : Fixtures, fittings and equipment - straight line basis over 5 years.

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 is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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 to the Profit and Loss account represents the contributions payable in respect of the accounting period.

2. Turnover

	2005	2004
	£	£
Consulting fees	**857,080**	8,700,049
Other income	**632**	-
	857,712	8,700,049

3. (Loss) / profit on ordinary activities before taxation

	2005	2004
	£	£
(Loss) / profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit services	**6,600**	6,500
Depreciation of tangible fixed assets	**8,821**	10,405

Remuneration of the company's auditors, for the provision of non-audit services to the company during the year, amounted to £14,346 (*2004*: £13,498), this included the provision of taxation services.

4. Remuneration of directors

The highest paid director received emoluments of £84,500 (*2004*: £136,018) and £nil in contributions (*2004*: £nil) were made to a pension scheme on his behalf.

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

Directors	**2005**	2004
	£	£
Emoluments	**229,664**	336,018

C A Siegel did not receive remuneration for his services as a director of the company (*2004:* £nil).

All directors benefited from qualifying third party indemnity provisions.

5. Staff numbers and costs

The average number of employees (including directors) during the year was 12 (*2004*: 14). The split of these was as follows:

The average number of persons employed:	**2005**	2004
Consultants	**4**	5
Administration	**8**	9
	12	14

5. Staff numbers and costs (continued)

The aggregate payroll costs were as follows:

	2005	2004
	£	£
Wages and salaries	**808,088**	1,097,237
Social security costs	**75,502**	135,487
Pension costs	**22,174**	12,285
	905,764	1,245,009

6. 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 £22,174 (*2004*: £12,285). There were no contributions payable (*2004*: £nil) at the year end.

7. Taxation

	2005	2004
	£	£
The tax charge on the profit on ordinary activities for the year was as follows:-		
UK Corporation tax at 30%	-	(1,827,980)
Adjustment to UK Corporation tax in respect of prior years	-	(24,230)
	-	(1,852,210)
The tax assessed in the year varies from the standard rate of UK Corporation Tax of 30% (*2004*: 30%) as explained below:		
(Loss) / profit on ordinary activities before taxation	**(597,278)**	6,086,006
Tax on (loss) / profit on ordinary activities before taxation at 30%	**179,183**	(1,825,802)
Expenses not deductible for tax purposes	**(3,388)**	(2,774)
Adjustment in respect of prior periods	-	(24,230)
Other	-	596
Movement in taxable losses carried forward and available for group relief	**(175,795)**	-
Current tax charge for the year	-	(1,852,210)

8. Dividends

A dividend of £3,700,000 (£12,333.33 per ordinary share) was paid during the year ended 31 December 2005. No dividends were paid during the year ended 31 December 2004.

9. Tangible fixed assets

	Office equipment £	Computer equipment £	Totals £
Cost			
As at 1 January 2005	**1,496**	**40,461**	**41,957**
Additions in year	**-**	**4,897**	**4,897**
Disposals	**(1,496)**	**(45,358)**	**(46,854)**
As at 31 December 2005	-	-	-
Depreciation			
As at 1 January 2005	**523**	**20,239**	**20,762**
Charge for the year	**250**	**8,571**	**8,821**
Disposals	**(773)**	**(28,810)**	**(29,583)**
As at 31 December 2005	-	-	-
Net Book Value			
Net book value at 31 December 2005	-	-	-
Net book value at 31 December 2004	**973**	**20,222**	**21,195**

10. Debtors

	2005	2004
	£	£
Amounts owed by parent undertaking	-	1,496,511
Corporation tax recoverable	**14,884**	-
Other debtors	**8,325**	43,915
Prepayments and accrued income	-	21,400
	23,209	1,561,826

All of the above amounts fall due within one year.

11. Creditors : amounts falling due within one year

	2005	2004
	£	£
Amounts owed to parent and fellow subsidiary undertakings	**10,395**	186,435
Other creditors including taxation and social security		
- Corporation tax	**12,364**	931,980
- Other taxes	**-**	222,885
- Other creditors	**25,827**	48,338
- Accruals and deferred income	**215,300**	419,560
	263,886	1,809,198

12. Share capital

	2005	2004
	£	£
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and partially paid:		
300 ordinary shares of £1 each	**300**	300

13. Share premium account and reserves

Share premium account	£
As at 1 January 2005 and at 31 December 2005	**438,978**

Profit and loss account	£
As at 1 January 2005	**4,308,169**
(Loss) for the financial year	**(597,278)**
Dividends paid	**(3,700,000)**
As at 31 December 2005	**10,891**

14. Reconciliation of movements of shareholders' funds

	2005	2004
	£	£
Opening shareholders' funds	**4,747,447**	513,651
(Loss) / profit for the financial year	**(597,278)**	4,233,796
Dividends paid	**(3,700,000)**	-
Closing shareholders' funds	**450,169**	4,747,447

15. Immediate and ultimate holding company

The smallest group in which results of the company are consolidated is Jefferies International (Holdings) Limited which is incorporated in England & Wales. The ultimate holding company is Jefferies Group, Inc., which is incorporated in the United States of America. Group accounts are available from 520 Madison Avenue, New York, New York 10022. This company also heads the largest group in which these results are incorporated.