

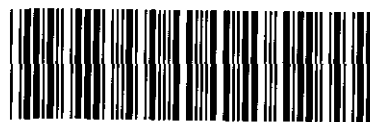
*Company Registration No 4323818*

## **ASYMMETRIC CAPITAL MANAGEMENT LIMITED**

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

**31 December 2006**

THURSDAY



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# **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 2006.

### **Principal activities and business review**

The Profit and Loss account for the year is set out on page 6.

The company has not traded during the year. 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.

As the company qualifies as a small company (as defined by the Companies Act 1985), it is eligible for the exemption that does not require a business review to be prepared.

### **Dividends**

The directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: £3,700,000 (£12,333.33 per share)). The profit for the financial year of £188,818 (2005: loss of £4,297,278 after dividends) will be transferred to reserves.

### **Directors and directors' interests**

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

C A Siegel

J L Conroy

(appointed 8 March 2006)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

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

### **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 (2005: £nil) were made by the company during the financial year.

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **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.

**DIRECTORS' REPORT (CONTINUED)**

**By order of the board**

A handwritten signature in black ink, appearing to read 'Janet M Lewis', with a long, sweeping horizontal stroke extending to the right.

Janet M Lewis  
**Company Secretary**

Bracken House  
1 Friday Street  
London EC4M 9JA  
6 September 2007

**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 and applicable law (UK Generally Accepted Accounting Practice).

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 2006 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 3.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

8 Salisbury Square  
London EC4Y 8BB  
United Kingdom  
6 September 2007

**PROFIT AND LOSS ACCOUNT**  
*for the year ended 31 December 2006*

	Notes	2006 £	2005 £
<b>Turnover</b>	2	-	857,712
Administrative (expenses)/credits		<u>1,606</u>	<u>(1,515,192)</u>
<b>Operating profit / (loss)</b>		<b>1,606</b>	<b>(657,480)</b>
Interest receivable and similar income		<u>-</u>	<u>60,202</u>
<b>Profit / (loss) on ordinary activities before taxation</b>	3	<b>1,606</b>	<b>(597,278)</b>
Tax on profit / (loss) on ordinary activities	7	<u>187,212</u>	<u>-</u>
<b>Retained profit / (loss) for the year</b>	11	<u><b>188,818</b></u>	<u><b>(597,278)</b></u>

The notes on pages 8 to 12 form part of these financial statements.

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.

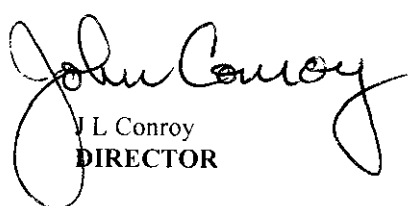


# *Asymmetric Capital Management Limited*

## **BALANCE SHEET** **at 31 December 2006**

	Notes	£	2006 £	£	2005 £
<b>Current assets</b>					
Debtors	8	638,668		23,209	
Cash at bank and in hand		<u>28,788</u>		<u>690,846</u>	
		667,456		714,055	
<b>Creditors: amounts falling due within one year</b>	9	(28,469)		(263,886)	
<b>Net current assets</b>			<u>638,987</u>		<u>450,169</u>
<b>Net assets</b>			<u>638,987</u>		<u>450,169</u>
<b>Capital and reserves</b>					
Called up share capital	10		300		300
Share premium account	11		438,978		438,978
Profit and loss account	11		<u>199,709</u>		<u>10,891</u>
<b>Shareholders' funds</b>	12		<u>638,987</u>		<u>450,169</u>

These financial statements were approved by the board of directors on 6 September 2006 and were signed on its behalf by:

  
J L Conroy  
DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2006

**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***

The directors will be seeking an orderly winding up of the company as soon as is practical after the year end. 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.

***Income recognition***

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

***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.

***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.

**2. Turnover**

	2006	2005
	£	£
Consulting fees	-	857,080
Other income	-	632
	<u>-</u>	<u>857,712</u>

**3. Profit / (loss) on ordinary activities before taxation**

	2006	2005
	£	£
Profit / (loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for the audit of the company's accounts	6,000	6,600
Depreciation of tangible fixed assets	-	8,821
	<u>-</u>	<u>8,821</u>

Remuneration of the company's auditors, for the provision of non-audit services to the company during the year, amounted to £11,000 (2005: £14,346), this included the provision of taxation services.

**3. Profit / (loss) on ordinary activities before taxation (continued)**

The profit on ordinary activities before taxation for the year ended 31 December 2006 includes a write back of excess accruals from prior years of £27,000, net expenses paid during 2006 of £7,136 and expenses accrued during 2006 of £18,258. The net result of these items equates to £1,606, and this has been disclosed as administrative (expenses)/credits on the face of the Profit and Loss account.

**4. Remuneration of directors**

The highest paid director received emoluments of £nil (2005: £84,500) and £nil in contributions (2005: £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	2006 £	2005 £
Emoluments	-	229,664

C A Siegel and J L Conroy did not receive remuneration for their services as directors of the company (2005: £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 nil (2005: 12). The split of these was as follows:

The average number of persons employed:	2006	2005
Consultants	-	4
Administration	-	8
	-	12

The aggregate payroll costs were as follows:

	2006 £	2005 £
Wages and salaries	-	808,088
Social security costs	-	75,502
Pension costs	-	22,174
	-	905,764

**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 £nil (2005: £22,174). There were no contributions payable (2005: £nil) at the year end.

**7. Taxation**

	2006 £	2005 £
UK corporation tax at 30% on the profit / (loss) for the year	(482)	-
Amount receivable from fellow subsidiaries in respect of group relief	188,499	
Adjustment to UK corporation tax in respect of prior years	<u>(805)</u>	<u>-</u>
Tax on profit / (loss) on ordinary activities	<u>187,212</u>	<u>-</u>
<b>Tax reconciliation</b>		
	2006 £	2005 £
Profit / (loss) on ordinary activities before taxation	<u>1,606</u>	<u>(597,278)</u>
Tax on profit on ordinary activities before taxation at the standard rate of corporation tax in the United Kingdom of 30% (2005: 30%)	(482)	179,183
Expenses not deductible for tax purposes	-	(3,388)
Adjustment in respect of prior years	(805)	-
Movement in taxable losses carried forward and available for group relief	<u>188,499</u>	<u>(175,795)</u>
Total current tax	<u>187,212</u>	<u>-</u>

**8. Debtors**

	2006 £	2005 £
Amounts falling due within one year:		
Amounts owed by parent undertaking	638,668	-
Corporation tax recoverable	-	14,884
Other debtors	-	8,325
	<u>638,668</u>	<u>23,209</u>

**9. Creditors: amounts falling due within one year**

	2006	2005
	£	£
Amounts owed to parent and fellow subsidiary undertakings	-	10,395
Other creditors including taxation and social security		
- Corporation tax	1,287	12,364
- Other creditors	8,924	25,827
- Accruals and deferred income	18,258	215,300
	<u>28,469</u>	<u>263,886</u>

**10. Share capital**

	2006	2005
	£	£
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and partially paid:</b>		
300 ordinary shares of £1 each	<u>300</u>	<u>300</u>

**11. Share premium account and reserves**

<b>Share premium account</b>	£
As at 1 January 2006 and at 31 December 2006	<u>438,978</u>
<b>Profit and loss account</b>	£
As at 1 January 2006	10,891
Profit for the financial year	<u>188,818</u>
As at 31 December 2006	<u>199,709</u>

**12. Reconciliation of movements of shareholders' funds**

	2006	2005
	£	£
Opening shareholders' funds	450,169	4,747,447
Profit / (loss) for the financial year	188,818	(597,278)
Dividends paid	-	(3,700,000)
Closing shareholders' funds	<u>638,987</u>	<u>450,169</u>

**13. 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.