

JEFFERIES INTERNATIONAL LIMITED
YEAR ENDED 31 DECEMBER 2001
REGISTRATION NUMBER: 1978621



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DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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 2001 (2000:nil). The profit for the financial year of £2,932,000 (2000:£1,955,000) will be transferred to reserves.

DIRECTORS AND DIRECTORS' INTERESTS

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

F E Baxter	(Chairman)
J L Conroy	(Appointed 27 July 2001)
D Fowler	(Resigned 27 July 2001)
J F Graham	
S Hiestand	
AJ Hope	
HAC Reid	
P R V Shivers	(Appointed 16 January 2001)
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.

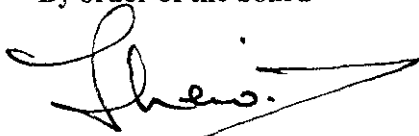
CHARITABLE DONATIONS

Charitable donations amounting to £825 (2000: £4,465) were made 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

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

Janet M Lewis
COMPANY SECRETARY

Bracken House
1 Friday Street
London EC4M 9JA
28 March 2002

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 16.

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 company is not disclosed.

BASIS OF 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 2001 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

KPMG AUDIT PLC
Chartered Accountants
Registered Auditor

London
28 March 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	<i>Notes</i>	2001 £000	2000 £000
Turnover	2	37,313	41,490
Administrative expenses		<u>(33,147)</u>	<u>(36,605)</u>
Operating profit		4,166	4,885
Profit on sale of investment	3	2,888	-
Interest receivable and similar income	4	1,369	1,186
Interest payable and similar charges	5	<u>(4,276)</u>	<u>(1,704)</u>
Profit on ordinary activities before taxation	6	4,147	4,367
Tax on profit on ordinary activities	11	<u>(1,215)</u>	<u>(2,412)</u>
Retained profit for the financial year	20	<u>2,932</u>	<u>1,955</u>

The notes on pages 9 to 16 form part of these financial statements.

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

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2001

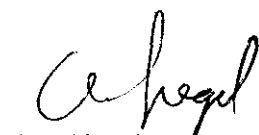
	2001 £000	2000 £000
Retained Profit for the Financial Year	2,932	1,955
Foreign exchange differences	(500)	171
Total Recognised Gains for the Year	<u>2,432</u>	<u>2,126</u>

CONSOLIDATED BALANCE SHEET

at 31 December 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	12	2,546	2,317
Current assets			
Debtors	14	126,510	111,867
Marketable securities - long positions	15	21,076	7,952
Cash at bank and in hand		<u>7,590</u>	<u>9,430</u>
		155,176	129,249
Creditors:			
Marketable securities - short positions	15	(6,393)	(-)
Amounts falling due within one year	16	<u>(129,938)</u>	<u>(112,607)</u>
		(136,331)	(112,607)
Net current assets		<u>18,845</u>	<u>16,642</u>
Total assets less current liabilities		21,391	18,959
Creditors :			
Amounts falling due after one year	17	(1,900)	(1,900)
Net assets		<u>19,491</u>	<u>17,059</u>
Capital and reserves			
Called up share capital	19	7,350	7,350
Share premium account	19	2,162	2,162
Legal and other reserves	20	736	750
Profit and loss account	20	<u>9,243</u>	<u>6,797</u>
Shareholder's funds	21	<u>19,491</u>	<u>17,059</u>

These financial statements were approved by the board of directors on 28 March 2002 and were signed on its behalf by:



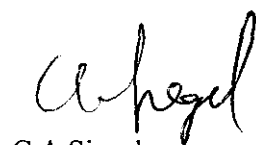
C A Siegel
MANAGING DIRECTOR

BALANCE SHEET
at 31 December 2000

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	12	2,145	1,879
Investments	13	<u>6,740</u>	<u>6,740</u>
		8,885	8,619
Current assets			
Debtors	14	123,018	106,154
Marketable securities - long positions	15	20,960	7,448
Cash at bank and in hand		<u>1,649</u>	<u>3,817</u>
		145,627	117,419
Creditors:			
Marketable securities - short positions	15	(6,393)	(-)
Amounts falling due within one year	16	<u>(129,514)</u>	<u>(110,012)</u>
		(135,907)	(110,012)
Net current assets		<u>9,720</u>	<u>7,407</u>
Total assets less current liabilities		18,605	16,026
Creditors :			
Amounts falling due after one year	17	<u>(1,900)</u>	<u>(1,900)</u>
Net assets		<u><u>16,705</u></u>	<u><u>14,126</u></u>
Capital reserves			
Called up share capital	19	7,350	7,350
Share premium account	20	2,162	2,162
Other reserves	20	400	400
Profit and loss account		<u>6,793</u>	<u>4,214</u>
Shareholder's funds	21	<u><u>16,705</u></u>	<u><u>14,126</u></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 £2,579,000 (2000: £1,031,000).

These financial statements were approved by the board of directors on 28 March 2002 and were signed on its behalf by:



C A Siegel
MANAGING DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2001

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.

Group accounts

Subsidiary undertakings have been consolidated using acquisition 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 accounts. 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.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallize or that the recoverability of the assets is assured in the foreseeable future.

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

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.

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.

	2001 £000	2000 £000
Commission and other dealing income	23,048	25,317
Service fee income	12,005	14,811
Other income	<u>2,260</u>	<u>1,362</u>
	<u><u>37,313</u></u>	<u><u>41,490</u></u>

3 Profit on sale of investments

The company has held shares in The London Stock Exchange for a number of years, because of its membership. 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 has been included within turnover.

4 Interest receivable and similar income

	2001 £000	2000 £000
Other interest income	<u>1,369</u>	<u>1,186</u>
	<u><u>1,369</u></u>	<u><u>1,186</u></u>

5 Interest payable and similar charges

	2001 £000	2000 £000
Payable to parent undertaking	3,651	1,216
Other interest payable on loans wholly repayable within five years	<u>625</u>	<u>488</u>
	<u><u>4,276</u></u>	<u><u>1,704</u></u>

6 Profit on ordinary activities before taxation

	2001 £000	2000 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration for audit	44	44
Depreciation of tangible fixed assets	1,072	809
Directors' emoluments as executives	<u>2,064</u>	<u>4,168</u>
	<u><u> </u></u>	<u><u> </u></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 £ 184,082 (2000 : £128,500). This included taxation and company secretarial advice.

7 Remuneration of directors

The highest paid director received emoluments of £ 499,802 (2000: £1,055,000) and £14,652 in contributions (2000: £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	2001 £000	2000 £000
Emoluments	2,000	4,116
Pension Contributions	64	52
	<u>2,064</u>	<u>4,168</u>

Contributions to pension schemes were made on behalf of 5 directors (2000: 5) in 2001.

8 Directors' loans

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

	Liability 31 December 2001 £	Maximum Liability during the financial year £	Liability 1 January 2001 £
J F Graham	3,787	4,534	3,595
P R V Shivers	<u>467</u>	<u>610</u>	<u>447</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 148 (2000: 125):

The aggregate payroll costs were as follows :

	2001 £000	2000 £000
Wages and salaries	16,330	19,858
Social Security costs	2,221	2,048
Other pension costs	<u>1,046</u>	<u>924</u>
	<u>19,597</u>	<u>22,830</u>

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 £553,000 (2000: £416,000). There were no contributions payable (2000: nil) at the year end.

11 Taxation

	2000 £000	2000 £000
UK corporation tax at 30% on the profit for the year on ordinary activities	1,024	1,102
Overseas Corporate Tax	191	1,321
Deferred taxation (see Note 18)	(-)	(11)
	<u>1,215</u>	<u>2,412</u>

12 Tangible fixed assets

Group	Leasehold Improvements £000	Fixtures & Fittings £000	Total £000
Cost			
As at 1 January 2001	1,348	5,067	6,415
Additions	680	621	1,301
Disposals	-	(19)	(19)
As at 31 December 2001	<u>2,028</u>	<u>5,669</u>	<u>7,697</u>
Depreciation			
As at 1 January 2001	738	3,360	4,098
Disposals	-	(19)	(19)
Charge for year	177	895	1,072
As at 31 December 2001	<u>915</u>	<u>4,236</u>	<u>5,151</u>
Net Book Value			
As at 31 December 2001	<u>1,113</u>	<u>1,433</u>	<u>2,546</u>
As at 31 December 2000	<u>610</u>	<u>1,707</u>	<u>2,317</u>

12 Tangible fixed assets (continued)

Company	Leasehold Improvements £000	Fixtures & Fittings £000	Total £000
Cost			
As at 1 January 2001	1,283	4,262	5,545
Additions	428	545	973
As at 31 December 2001	1,711	4,807	6,518
Depreciation			
As at 1 January 2001	672	2,994	3,666
Charge for year	62	645	707
As at 31 December 2001	734	3,639	4,373
Net Book Value			
As at 31 December 2001	977	1,168	2,145
As at 31 December 2000	611	1,268	1,879

13 Fixed asset investments

Interests in group undertakings	£000
At 1 January 2001	6,740
At 31 December 2001	6,740

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%	Service Company
Jefferies Asset Management Limited	Ordinary SF 100 Shares	100%	Asset Management
Jefferies (Japan) Limited	Ordinary £1 Shares	100%	Japanese Representative Office
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	
	2001	2000	2001	2000
	£000	£000	£000	£000
Trade debtors	100,559	103,002	100,471	102,030
Amounts owed by fellow subsidiary undertakings : - Trading	19,248	2,706	19,248	2,706
Non trading	4,197	2,844	1,994	268
Amounts owed by subsidiary undertakings: - Non trading	-	-	-	7
Other debtors	1,723	1,700	796	646
Prepayments	692	1,524	418	406
Deferred Taxation	91	91	91	91
	<u>126,510</u>	<u>111,867</u>	<u>123,018</u>	<u>106,154</u>

All of the above amounts fall due within one year.

15 Marketable Securities

Shares in listed securities and debt instruments

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Long Positions	<u>21,076</u>	<u>7,952</u>	<u>20,960</u>	<u>7,448</u>
Short Positions	<u>6,393</u>	<u>-</u>	<u>6,393</u>	<u>-</u>

16 Creditors : amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank overdraft	12,112	5,396	12,109	5,396
Trade creditors	87,072	77,191	87,032	77,156
Amounts owed to parent and fellow subsidiary undertaking:				
Non trading	4,451	2,681	4,393	2,105
Trading	18,640	15,229	18,640	15,229
Amounts owed to subsidiary undertakings:				
Non trading	-	-	1,965	1,365
Other creditors including taxation and social security				
Corporation tax	642	806	398	196
Other taxes	357	305	294	193
Social security	1,020	1,450	928	1,133
Other creditors	569	1,450	452	628
Accruals & deferred income	5,075	8,099	3,303	6,611
	<u>129,938</u>	<u>112,607</u>	<u>129,514</u>	<u>110,012</u>

17 Creditors : amounts falling due after one year

Group and Company	2001	2000
	£000	£000
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

	Group and Company
	£000
At 1 January 2001	91
Profit and loss account	-
At 31 December 2001	<u>91</u>

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

19 Called up Share Capital

Group and Company	2001	2000
Authorised		
7,350,400 ordinary shares of £1 each	<u>7,350,400</u>	<u>7,350,400</u>
Allotted, called up and fully paid		
7,350,400 ordinary shares of £1 each	<u>7,350,400</u>	<u>7,350,400</u>

20 Share premium account and reserves

Group and Company	Share premium account	
	£000	
At 1 January 2001 and at 31 December 2001	<u>2,162</u>	
Legal and Other Reserves	Group	Company
	2001	2001
	£000	£000
As at 1 January 2001	750	400
Transfer to Profit and Loss account	(14)	-
As at 31 December 2001	<u>736</u>	<u>400</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
	2001
	£000
As at 1 January 2001	6,797
Retained profit for the year	2,932
Foreign exchange difference	(500)
Transfer from legal reserve	14
	<u>9,243</u>

21 Reconciliation of movements of funds

Group	2001	2000
	£000	£000
Retained profit for the financial year	2,932	1,955
Opening Shareholder's funds	17,059	11,058
Movements in foreign exchange differences	(500)	171
Issue of shares	-	3,875
Closing funds	<u>19,491</u>	<u>17,059</u>
Company	2001	2000
	£000	£000
Retained profit for the financial year	2,579	1,032
Opening Shareholder's funds	14,126	9,219
Issue of shares	-	3,875
Closing funds	<u>16,705</u>	<u>14,126</u>

22 Immediate and ultimate holding company

The immediate and 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.