

Lazard Bank Limited

**ANNUAL REPORT
2001**



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COMPANIES HOUSE 26/04/02

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DIRECTORS AND OFFICERS

Chairman

M A P Agius*

Deputy chairman

M A David-Weill*

Vice chairman

N M H Jones*

Chief executive

L A W Evans*

* Managing

Deputy chief executive

W J Rucker *

Executive directors

M C Baughan

W D W Dennis

H E Durey

J V Hansford

P G Hock*

A H Kilgour*

D J McMillan

K B Moore

M G Moyes

D L Tashjian* (resigned 19

February 2002)

P D Warner*

Non-Executive Directors

A L Blakesley

N D M Mackay

A J B Mitchell

J C Orr

Secretary

W D W Dennis

DIRECTORS' REPORT

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

Principal Activities

The Company is regulated by the Financial Services Authority to conduct designated investment business and to accept deposits. With its subsidiaries and associated undertaking, Lazard Capital Markets, the Company carries on the investment banking activities of the Lazard LLC group in the United Kingdom other than the corporate finance advisory business transferred by the Company in 2000 to Lazard Brothers & Co., Limited, a fellow subsidiary. Following the closure of the Company's money markets business during the year the Board resolved on 27 February 2002 to surrender its authorisation to accept deposits and to recommend to shareholders to change its name to Lazard & Co., Limited.

Profit, dividends and reserves

The profit of the Company, after taxation, amounted to £16,881,000 (2000: £16,745,000). On 2 April 2001, an interim dividend of £11,925,000 relating to the year 2000, was declared and paid to the shareholders on the register at the close of business on 31 December 2000. A first interim dividend of 25.18p per ordinary share was paid on 30 January 2002 to the shareholders on the register as at 31 December 2001. The Board presently expects that a second interim dividend of 34.89p per ordinary share will be declared to be paid on 29 March 2002. The dividends paid and proposed total £28,625,000. After taking into account brought forward reserves of £31,344,000, carried forward reserves amount to £19,600,000.

Directors and their interests

The names of the present directors are shown on page 2. The following directors have resigned prior to the date hereof:

Mr D J Verey (25 May 2001)

Mr J R Stone and Mr K M H Wilson (31 December 2001)

Mr D L Tashjian (19 February 2002)

Mrs K B Moore was appointed a director on 1 December 2001.

The interests of the directors are shown on page 5.

Auditors

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 25 October 2000 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche are deemed to continue as auditors.

Directors' responsibilities

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the period to which the financial statements relate. In preparing those financial statements, the directors confirm that suitable accounting policies have been selected and applied consistently, and that they have made judgements and estimates that are reasonable and prudent and have prepared the financial statements on the going concern basis. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

The Company has no employees. Lazard & Co., Services Limited provides employment and other services to the Company. Lazard & Co., Services Limited gives full and fair consideration to the employment of disabled persons having regard to their aptitudes and abilities. Employees who are disabled are treated in the same way as all other employees as far as continuing employment, training and career development are concerned.

DIRECTORS' REPORT

Lazard & Co., Services Limited provides employees with information on matters of concern to them by means of memoranda and brochures and the Company's intranet notice board. It learns of employees' views through committees, which meet regularly.

Risk Management

Following the closure of the Company's money markets operations in September 2001, the risk profile of the Company has changed significantly and risk management policies and operations have been altered accordingly.

The Lazard London Risk Committee, comprising individuals who have a broad understanding of market, credit, legal, regulatory and operational risks oversees risks group-wide and reports to the Board on this subject on a regular basis. *The Board of the Company has ultimate responsibility over the Company and its subsidiary undertakings to assess the risk taken and ensure adequate controls are in place to manage the risks.*



By order of the board
W D W Dennis
Secretary

Registered Office:
21 Moorfields
London EC2P 2HT

Registered Number: 162175

20 March 2002

DIRECTORS' INTERESTS

Six of the directors are directors of the holding company, Lazard & Co., Holdings Limited. As the directors' interests in shares in, or debentures of, group companies are disclosed in the group financial statements, there is no requirement to disclose these interests in this company's financial statements.

The interests of those persons who were directors at the end of the year in the shares in, or debentures of, group companies, as shown in the register kept in accordance with Section 325 of the Companies Act 1985, were as follows:

The directors marked † had interests in Lazard LLC, the Company's ultimate parent company. The directors marked * hold unsecured Loan Notes in Lazard & Co., Holdings Limited, the Company's immediate parent company as at 31 December 2001.

	31 December 2001	Unsecured loan notes Lazard & Co., Holdings Limited	1 January 2001
	£		£
* M C Baughan	7,760		21,860
* H E Durey	13,748		40,049
*† P G Hock	10,608		19,608
† A J Kilgour	-		-
* D J McMillan	33,323		33,323
† D L Tashjian	-		-
† P D Warner	-		-

INDEPENDENT REPORT OF THE AUDITORS

to the members of Lazard Bank Limited

We have audited the financial statements of Lazard Bank Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

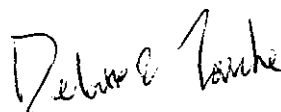
We conducted our audit in accordance with United Kingdom auditing standards issued by

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 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 of the state of the Company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors
Stonecutter Court
Stonecutter Street
London EC4A 4TR

20 March 2002

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

Note	2001 £000	2000 £000
Interest receivable:		
- interest receivable and similar income from debt securities and other fixed income securities	255,517	423,026
- other interest receivable and similar income	67,316	131,289
Less: Interest payable	(310,983)	(530,152)
2 Net interest income	11,850	24,163
- Continuing operations	4,779	4,917
- Discontinued operations	7,071	19,246
Dividend income - equity shares	9,052	9,536
Fees and commissions receivable	2,469	59,494
Less: Fees and commissions payable	(4,793)	(1,312)
Dealing profits	28,218	4,592
Other operating income	846	142
2 Operating income	47,642	96,615
- Continuing operations	21,656	18,633
- Discontinued operations	25,986	77,982
3 Administrative expenses	(29,437)	(76,646)
17 Depreciation and amortisation	(33)	(549)
13 Amounts written off fixed asset securities	(1,459)	(1,246)
2 Operating profit	16,713	18,174
- Continuing operations	9,022	2,575
- Discontinued operations	7,691	15,599
Income from associated undertakings	1,075	2,859
Profit on disposal of fixed asset investments	3,927	331
4 Profit on ordinary activities before tax	21,715	21,364
7 Tax on profit on ordinary activities	(4,834)	(4,619)
Profit on ordinary activities after tax	16,881	16,745
8 Equity and non-equity dividends	(28,625)	(31,060)
29 Transfer from reserves	(11,744)	(14,315)
Reserves brought forward	31,344	45,659
29 Reserves carried forward	19,600	31,344

No material gains or losses have been recognised in these financial statements other than those reflected in the Profit and Loss Account and therefore no separate statement of total recognised gains and losses has been presented. There is no difference between the profit on ordinary activities before taxation or the retained loss for the year stated above and their historical cost equivalents.

A reconciliation of the movement in shareholders' funds is shown in note 30.

LAZARD BANK LIMITED
BALANCE SHEET

at 31 December 2001

	2001 £000	2000 £000
Assets		
Cash and balance at central bank	-	73
9 Secured loans from purchase and resale agreements	-	3,978,006
10 Loans and advances to banks	48,821	217,728
11 Loans and advances to customers	9,977	230,814
12 Debt securities and other fixed income securities	59,587	3,454,976
13 Equity shares	13,657	189,531
14 Interests in associated undertakings	82	54
15 Other participating interests	1,018	1,018
16 Interests in group undertakings	5,972	5,921
17 Tangible fixed assets	592	1,357
18 Other assets	21,065	46,362
Prepayments and accrued income	7,749	131,634
Total assets	168,520	8,257,474
Liabilities		
20 Secured deposits from sale and repurchase agreements	-	4,933,467
21 Deposits by banks	3	1,157,533
22 Customer accounts	2,984	870,120
23 Debt securities in issue	-	153,243
24 Short positions in securities	-	863,577
25 Other liabilities	22,474	164,357
Accruals and deferred income	21,920	4,565
26 Provisions for liabilities and charges	-	775
27 Subordinated liabilities	23,046	-
	70,427	8,147,637
28 Called up share capital	32,803	32,803
29 Share premium account	45,282	45,282
29 Capital redemption reserve	408	408
29 Profit and loss account	19,600	31,344
30 Total shareholders' funds	98,093	109,837
- Equity interests	93,093	104,837
- Non-equity interests	5,000	5,000
Total liabilities	168,520	8,257,474
32 Memorandum items		
Contingent liabilities		
- acceptances and endorsements	-	10,000
- guarantees and assets pledged as collateral security	14,763	3,525
	14,763	13,525
Commitments	9,931	2,856
	24,694	16,381

Signed on behalf of the board on 20 March 2002

Kee B. More

Directors

Charles John Nicholas Jones

NOTES TO THE ACCOUNTS

1 Accounting policies

(a) Disclosure requirements and basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 relating to banking companies and applicable Accounting Standards in the United Kingdom.

(b) Discontinued operations

In 2001 discontinued operations comprised the Company's money markets and commercial banking business. Prior year comparatives include figures for its corporate finance activities which were transferred to a fellow subsidiary with effect from 1 August 2000.

(c) Debt securities

Debt instruments intended for use on a continuing basis in the Company's activities are classified as investment securities and are included at cost, adjusted for discount accretion or premium amortisation. Interest receivable thereon and the premium or discount are taken to the profit and loss account on a straight line basis over the period to the date of anticipated redemption. Other debt instrument positions arising from trading activities are carried at market rates. The cost of such debt instrument positions is not disclosed in these financial statements as it cannot be determined without unreasonable expense.

(d) Equity shares and interests in other undertakings

Equity shares and securities intended for use on a continuing basis in the Company's activities are classified as fixed asset securities. Such shares and securities are stated at cost less provision for any permanent impairment in value. Other equity shares arising from trading are carried at market rates. The cost of such shares is not disclosed in these financial statements as it cannot be determined without unreasonable expense. Participating interests and interests in group and associated undertakings are stated at cost less provision for any permanent impairment in value.

(e) Forward foreign exchange contracts and other off-balance sheet instruments

Forward foreign exchange contracts and other off-balance sheet instruments are valued at market prices and the resultant profits and losses are included in income, except for transactions designated as hedges which are accounted for in accordance with the accounting treatment of the items being hedged.

(f) Tangible fixed assets

Motor vehicles, computer and other equipment are capitalised and depreciated on a straight line basis over two to four years. It is Company policy to maintain long leasehold properties in such a condition that their value is not impaired by the passage of time. Such maintenance expenditure is charged to profits in the appropriate year. As a consequence, the element of depreciation is, in the opinion of the directors, immaterial and no provision for depreciation has been made in the Company's accounts.

(g) Foreign currencies

Assets, liabilities and profits in overseas currencies are translated into sterling at contracted rates during the year and at the rates ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

(h) Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

(i) Provisions for bad and doubtful debts

Provisions for bad and doubtful debts are based on the year end appraisal of loans and advances.

NOTES TO THE ACCOUNTS

1 Accounting policies (continued)

(j) Pensions

The pension cost relating to the UK defined benefit scheme is assessed in accordance with the advice of independent qualified actuaries, so as to recognise the cost of pensions on a systematic basis over the employees' service lives.

(k) Interest receivable and payable

Net interest income comprises interest receivable on debt securities, loans, advances and deposits placed less interest payable on deposits taken and debt securities in issue, credit for which is taken on an accruals basis.

(l) Resale and repurchase agreements and stock loans

Cash given in respect of purchase and resale agreements is disclosed in the balance sheet as secured loans from purchase and resale agreements. The securities received in these transactions are not disclosed in the balance sheet. Cash received in respect of sale and repurchase agreements is disclosed in the balance sheet as secured deposits from sale and repurchase agreements. The securities given in these transactions remain on the balance sheet unless borrowed for the purpose of the transaction.

Stock borrowing and lending transactions are reflected in assets and liabilities respectively only to the extent that collateral given or received is in the form of cash. These off balance sheet transactions are summarised in note 20.

(m) Post-retirement medical benefits

The cost of making provision for these discretionary benefits is assessed in accordance with the advice of independent actuaries so as to recognise the cost on a systematic basis over the employees' service lives. The movement in the provision is dealt with in the profit and loss account.

(n) Fees receivable

Fees receivable are brought into profit on an accruals basis.

CONTINUED
NOTES TO THE ACCOUNTS

2 Continuing and Discontinued Operations

	2001			2000		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Interest receivable	7,278	315,555	322,833	8,998	545,317	554,315
Interest payable	(2,499)	(308,484)	(310,983)	(4,081)	(526,071)	(530,152)
Net interest income	4,779	7,071	11,850	4,917	19,246	24,163
Dividend income	9,052	-	9,052	9,536	-	9,536
Fees and commissions receivable	2,414	55	2,469	347	59,147	59,494
Fees and commissions payable	(4,072)	(721)	(4,793)	(81)	(1,231)	(1,312)
Dealing profits	8,639	19,579	28,218	3,772	820	4,592
Other operating income	844	2	846	142	-	142
Operating income	21,656	25,986	47,642	18,633	77,982	96,615
Administrative expenses	(11,175)	(18,262)	(29,437)	(14,297)	(62,349)	(76,646)
Depreciation and amortisation	-	(33)	(33)	(515)	(34)	(549)
Amounts written off fixed asset securities	(1,459)	-	(1,459)	(1,246)	-	(1,246)
Operating profit	9,022	7,691	16,713	2,575	15,599	18,174

3 Administrative expenses

	2001 £000	2000 £000
Staff costs		
- wages and salaries ⁽¹⁾	-	13,887
- bonuses and profit-sharing ⁽²⁾	-	32,208
- social security costs	-	5,247
- other pension costs	-	52
Other administrative expenses	29,437	25,252
	<u>29,437</u>	<u>76,646</u>

(1) Wages and salaries in 2000 include all cash benefits paid directly to employees.

(2) Bonuses and profit sharing in 2000 includes a payment to an Employee Benefit Trust (see note 5).

CONTINUED
NOTES TO THE ACCOUNTS

4 Profit on ordinary activities before tax

	2001 £000	2000 £000
This is stated after taking into account:		
(a) Income		
Profits less losses on securities dealing	3,963	37
Profits less losses on disposal of investment securities	15,151	154
(b) Charges		
Rental charged on land and buildings held under operating leases	-	2,586

The auditors' remuneration for the current and prior year was borne by Lazard & Co., Services Limited.

5 Directors and officers

The directors' emoluments and details of directors' transactions set out below relate to:

- (a) employees of Lazard & Co., Services Limited ("LSL") who are also directors of the Company and who provide their services wholly or primarily to the Company.
- (b) payments made from the Employee Benefit Trust (see below) to employees of LSL who are currently or were formerly directors of the Company.

The emoluments and details of directors' transactions of directors who were also directors of the immediate holding company, Lazard & Co., Holdings Limited ("LCHL") have been disclosed in the financial statements of LCHL and are excluded from the figures shown below.

(a) Emoluments

Comparative figures for 2000 reflect the reorganisation of the Group on 1 August 2000, which led to the emoluments of certain directors after that date being shown in the accounts of a fellow subsidiary company.

Aggregate emoluments paid to directors and former directors of the Company in 2001 amounted to £6,907,638 (2000: £33,006,691).

Prior to 2000 contributions from profits were made each year to an Employee Benefit Trust ("the Trust"), the trustees of which are directors of LCHL. Included in the above amount is a total of £5,080,169 paid by the Trust in respect of 2001 relating to profit performance in prior years.

Compensation paid for loss of office to directors was £450,000 (2000: £nil).

Two directors accrued benefits under a "defined benefit" pension scheme.

CONTINUED
NOTES TO THE ACCOUNTS

5 Directors and officers (continued)

(b) Highest Paid Director

The total emoluments of the highest paid director in respect of 2001 were £1,421,562. In addition a special pension augmentation was made at a cost of £1,254,000 (2000: £nil). On 31 December his accrued benefits under the defined benefit pension scheme amounted to a pension of £154,260 p.a.

The total emoluments of the highest paid director in respect of 2000 were £2,138,563. On 31 December 2000 his accrued benefits under the defined benefit pension scheme amounted to a pension of £69,900 p.a.

(c) Loans and Transactions

At 31 December 2001 there were no loans outstanding to individuals who had been directors of the Company during the year (2000: £256,780).

6 Pension costs

Following the reorganisation of the group companies during 2000, the Company ceased having employees, and therefore neither made contributions into pension arrangements nor had any pension-related items on its balance sheet.

For 2001 total pension charges recognised in the profit and loss account were £nil (2000: £52,000).

7 Tax on profit on ordinary activities

	2001 £000	2000 £000
United Kingdom corporation tax at 30% (2000: 30%)	(1,605)	4,014
Relief for double taxation	(39)	(329)
	<hr/> (1,644)	<hr/> 3,685
Transferred from deferred taxation asset (see note 19)	6,438	817
Overseas taxes	40	329
Adjustment in respect of prior years	-	(212)
	<hr/> 4,834 <hr/>	<hr/> 4,619 <hr/>

The effective rate of tax on profits is reduced below the UK rate of 30% as a result of the UK dividend income. The corporation tax credit and offsetting high deferred tax charge reflect timing differences arising from contributions to the Employee Benefit Trust in prior years being allowed in the period.

CONTINUED
NOTES TO THE ACCOUNTS

8 Dividends

	2001 Swiss Francs per share	2000 Swiss Francs per share	2001 pence per share	2000 pence per share	2001 £000	2000 £000
Non-equity dividend						
Interim Swiss Franc dividend paid	-	3.00	-	-	-	1,203
Equity dividends						
Ordinary dividends paid/payable						
- Third interim re 2000 - paid				26.46		7,357
- Fourth interim re 2000 - paid	-	-	42.89	-	11,925	-
- First interim - paid	-	-	25.18	79.04	7,000	20,000
- Second interim - proposed	-	-	34.89	9.88	9,700	2,500
					28,625	31,060

9 Secured loans from purchase and resale agreements

	2001 £000	2000 £000
Repayable on demand ⁽¹⁾	-	1,443,522
With agreed maturity dates or periods of notice, by remaining maturity		
- 3 months or less ⁽²⁾	-	2,099,077
- 1 year or less but over 3 months ⁽³⁾	-	435,407
	-	3,978,006

⁽¹⁾ These secured loans include £nil (2000: £369,277,000) with banks

⁽²⁾ These secured loans include £nil (2000: £1,240,591,000) with banks

⁽³⁾ These secured loans include £nil (2000: £218,053,000) with banks

10 Loans and advances to banks

	2001 £000	2000 £000
Repayable on demand	5,300	96,696
Other loans and advances, by remaining maturity		
- 3 months or less	43,062	120,157
- 1 year or less but over 3 months	459	-
- over 5 years	-	875
	48,821	217,728

CONTINUED
NOTES TO THE ACCOUNTS

11 Loans and advances to customers

	2001 £000	2000 £000
Repayable on demand	1,790	32,578
Other loans and advances, by remaining maturity		
- 3 months or less	-	191,562
- 1 year or less but over 3 months	3,689	2,289
- 5 years or less but over 1 year	-	8
- over 5 years	4,498	4,377
	<u>9,977</u>	<u>230,814</u>
Amounts include:		
Due from subsidiary undertakings		
- unsubordinated	<u>4,543</u>	<u>2,064</u>
Due from associated undertakings		
- unsubordinated	<u>-</u>	<u>6,792</u>
Due from other group undertakings		
- subordinated	<u>4,726</u>	<u>4,378</u>
- unsubordinated	<u>695</u>	<u>7,876</u>

CONTINUED
NOTES TO THE ACCOUNTS

12 Debt securities and other fixed income securities

	Trading securities		Investment securities		Total	
	2001	2000	2001	2000	2001	2000
	£000	£000	£000	£000	£000	£000
Book value						
Issued by public bodies						
- government securities	14,155	50,000	-	38,521	14,155	88,521
Issued by other issuers						
- bank and building society certificates of deposit	-	3,016,883	26,000	15,000	26,000	3,031,883
- other debt securities	-	290,900	19,432	43,672	19,432	334,572
	-	3,307,783	45,432	58,672	45,432	3,366,455
	14,155	3,357,783	45,432	97,193	59,587	3,454,976
Listed on a recognised exchange						
UK exchange	-	119,064	-	-	-	119,064
Listed elsewhere	-	215,126	-	62,715	-	277,841
Unlisted	14,155	3,023,593	45,432	34,478	59,587	3,058,071
	14,155	3,357,783	45,432	97,193	59,587	3,454,976
Analysed by maturity						
Due within one year	3,654	3,087,065	26,000	17,482	29,654	3,104,547
Due one year and over	10,501	270,718	19,432	79,711	29,933	350,429
	14,155	3,357,783	45,432	97,193	59,587	3,454,976
	Trading securities		Investment securities		Total	
	2001	2000	2001	2000	2001	2000
	£000	£000	£000	£000	£000	£000
Market value						
Issued by public bodies						
- government securities	14,155	50,000	-	39,405	14,155	89,405
Issued by other issuers						
- bank and building society certificates of deposit	-	3,016,883	26,000	14,914	26,000	3,031,797
- other debt securities	-	290,900	19,751	43,660	19,751	334,560
	-	3,307,783	45,751	58,574	45,751	3,366,357
	14,155	3,357,783	45,751	97,979	59,906	3,455,762
Listed on a recognised exchange						
UK exchange	-	119,064	-	-	-	119,064
Listed elsewhere	-	215,126	-	63,551	-	278,677
Unlisted	14,155	3,023,593	45,751	34,428	59,906	3,058,021
	14,155	3,357,783	45,751	97,979	59,906	3,455,762

The above amounts include an amount of £13,788,000 (2000: £2,949,200,000) which has been pledged as security.

CONTINUED
NOTES TO THE ACCOUNTS

12 Debt securities and other fixed income securities (continued)

	Cost £000	Discounts and premiums £000	Carrying value £000
Investment securities			
At 1 January 2001	98,253	(1,060)	97,193
Exchange adjustments	1,732	(29)	1,703
Transfer from trading book	13,754	-	13,754
Acquisitions	53,430	-	53,430
Matured	(15,000)	-	(15,000)
Disposals	(106,242)	(1)	(106,243)
Amortisation of discounts and premiums	-	595	595
At 31 December 2001	45,927	(495)	45,432

13 Equity shares

	2001		2000	
	Book value £000	Market value £000	Book value £000	Market value £000
Investment securities				
- unlisted	10,694	13,733	9,694	11,989
- listed on a non-UK exchange	2,963	3,785	2,963	4,892
	13,657	17,518	12,657	16,881
Trading securities				
- listed	-	-	176,874	176,874
Total	13,657	17,518	189,531	193,755

The above amounts include an amount of £nil (2000: £101,800,000) which has been pledged as security.

	Cost £000	Provisions £000	Carrying value £000
At 1 January 2001	22,143	(9,486)	12,657
Acquisitions	2,511	-	2,511
Disposals/other	(193)	141	(52)
Net provisions made	-	(1,459)	(1,459)
At 31 December 2001	24,461	(10,804)	13,657

CONTINUED
NOTES TO THE ACCOUNTS

14 Interests in associated undertakings

	Cost £000	Carrying value £000
At 1 January 2001	54	54
Additions	28	28
At 31 December 2001	<u>82</u>	<u>82</u>

The principal associate held by the Company is LDC Limited (50% equity interest), an investment company incorporated in Guernsey, and now in liquidation.

15 Other participating interests

The Company has an interest of 54% in the capital of Moorfields Debt Trading ("MDT") arising out of a partnership agreement. MDT is an unlisted joint venture based at 21 Moorfields, London EC2P 2HT.

16 Interests in group undertakings

	Cost £000	Carrying value £000
At 1 January 2001	5,921	5,921
Increase in investment in group undertakings	51	51
At 31 December 2001	<u>5,972</u>	<u>5,972</u>

In the opinion of the directors, the value of the Company's investment in group undertakings is not less than its carrying value. These undertakings are engaged in the businesses of investment banking, investment management and investment holding.

Principal subsidiary undertakings

- Lazard Holdings Limited ⁽¹⁾
- Lazard Overseas Holdings Limited ⁽¹⁾
- Lazard Italy Limited ⁽²⁾
- Lazard Asset Management Holdings Limited ⁽³⁾

⁽¹⁾ Direct subsidiary of Lazard Bank Limited.

⁽²⁾ Lazard Bank Limited holds 58.4% of the share capital of Lazard Italy Limited, the holding company of a corporate finance advisory group incorporated in Italy.

⁽³⁾ Lazard Bank Limited and Lazard Holdings Limited together own 75% of the share capital of Lazard Asset Management Holdings Limited and hold a beneficial interest in 100% of the profits of that company.

Unless otherwise indicated, all principal subsidiary undertakings are wholly-owned, incorporated in Great Britain and have an accounting date of 31 December.

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NOTES TO THE ACCOUNTS

17 Tangible fixed assets

	Leasehold improvements £000	Motor vehicles computers and other equipment £000	Total £000
Cost			
At 1 January 2001	206	2,671	2,877
Additions	-	40	40
Transfer to other group companies	-	(2,325)	(2,325)
	<u>206</u>	<u>386</u>	<u>592</u>
At 31 December 2001			
Accumulated depreciation			
At 1 January 2001	-	(1,520)	(1,520)
Charge for the year	-	(33)	(33)
Transfers to other group companies	-	1,553	1,553
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2001			
Net book value at 31 December 2001	<u>206</u>	<u>386</u>	<u>592</u>
Net book value at 31 December 2000	<u>206</u>	<u>1,151</u>	<u>1,357</u>

Transfers to other group companies were made at net book value.

NOTES TO THE ACCOUNTS

18 Other assets

	2001 £000	2000 £000
Other securities	-	14,953
Taxation	3,989	7,200
Deferred taxation (see note 19)	1,883	8,321
Settlement debtors	9,827	11,809
Other	5,366	4,079
	21,065	46,362

19 Deferred taxation

	2001 £000	2000 £000
Deferred taxation		
- capital allowances	1,283	1,615
- other timing differences	600	6,706
	1,883	8,321

UK deferred taxation relating to capital allowances has been calculated at 30%, the rate of corporation tax at which the asset is expected to crystallise.

£000

At 1 January 2001	8,321
Transfer to profit and loss account (see note 7)	(6,438)
At 31 December 2001 (see note 18)	1,883

CONTINUED
NOTES TO THE ACCOUNTS

20 Secured deposits from sale and repurchase agreements

	2001 £000	2000 £000
Repayable on demand ⁽¹⁾	-	686,483
With agreed maturity dates or periods of notice, by remaining maturity		
- 3 months or less ⁽²⁾	-	2,087,113
- 1 year or less but over 3 months ⁽³⁾	-	2,116,407
- between 1 and 5 years ⁽⁴⁾	-	43,464
	<u>-</u>	<u>4,933,467</u>

⁽¹⁾ These secured deposits include £nil (2000: £419,373,000) from banks

⁽²⁾ These secured deposits include £nil (2000: £1,231,093,000) from banks

⁽³⁾ These secured deposits include £nil (2000: £1,218,264,000) from banks

⁽⁴⁾ These secured deposits include £nil (2000: £43,464,000) from banks

Stock loans are fully collateralised, initially with cash but alternative collateral with an appropriate margin may be substituted at a later stage. Cash loans are also fully collateralised, with the type of collateral and margin being agreed at the time of dealing. As at 31 December 2001, the gross value of stock lent, including repos, was £nil (2000: £5,415,818,000) and stock borrowed, including reverse repos, was £nil (2000: £7,601,845,000).

21 Deposits by banks

	2001 £000	2000 £000
Repayable on demand	3	342,156
With agreed maturity dates or periods of notice, by remaining maturity		
- 3 months or less	-	795,457
- 1 year or less but over 3 months	-	19,920
	<u>3</u>	<u>1,157,533</u>

CONTINUED
NOTES TO THE ACCOUNTS

22 Customer accounts

	2001 £000	2000 £000
Repayable on demand	2,779	484,941
With agreed maturity dates or periods of notice, by remaining maturity		
- 3 months or less	-	379,679
- 1 year or less but over 3 months	-	5,500
- over 5 years	205	-
	<u>2,984</u>	<u>870,120</u>
Amounts include:		
Due to subsidiary undertakings	<u>2,779</u>	<u>18,985</u>
Due to associated undertakings	<u>-</u>	<u>4,940</u>
Due to other group undertakings	<u>-</u>	<u>26,483</u>
Due to undertakings in which the Company has a participating interest	<u>-</u>	<u>7,804</u>

23 Debt securities in issue

	2001 £000	2000 £000
Certificates of deposit with maturity dates, by remaining maturity		
- 3 months or less	-	140,443
- 1 year or less but over 3 months	-	12,800
	<u>-</u>	<u>153,243</u>

CONTINUED
NOTES TO THE ACCOUNTS

24 Short positions in securities

	2001		2000	
	Book value £000	Market value £000	Book value £000	Market value £000
<i>Investment securities</i>				
Government securities, by remaining maturity				
- 5 years or less but over 1 year	-	-	350,000	375,034
- over 5 years	-	-	359,433	389,959
	<u>-</u>	<u>-</u>	<u>709,433</u>	<u>764,993</u>
<i>Trading securities</i>				
Government securities, by remaining maturity				
- repayable within 1 year	-	-	50,000	50,000
- 5 years or less but over 1 year	-	-	103,352	103,352
Other debt securities				
- repayable within 3 months	-	-	536	536
Equity shares				
- repayable within 3 months	-	-	256	256
	<u>-</u>	<u>-</u>	<u>154,144</u>	<u>154,144</u>
Listed on a recognised UK exchange	-	-	863,577	919,137

25 Other liabilities

	2001 £000	2000 £000
Amounts owed to group undertakings	2,689	41,396
Taxation	-	1,478
Other	3,085	114,126
Proposed dividend	16,700	7,357
	<u>22,474</u>	<u>164,357</u>

NOTES TO THE ACCOUNTS

26 Provisions for liabilities and charges

	Post- retirement medical benefits £000
Provision at 1 January 2001	775
Movement in provision	-
Release of provision due to group reorganisation	(775)
Provision at 31 December 2001	-

The Company operated an unfunded scheme for post-retirement medical benefits. As part of this scheme, defined medical benefits were provided, at the Group's discretion, to certain retired employees. The costs of private medical insurance were met for these pensioners, their spouses and eligible dependants.

An actuarial estimate of the accrued cost which the Company might incur in respect of post-retirement medical benefits has been made by an independent qualified actuary on the basis of a gross interest rate of 7.5% per annum and medical benefit cost inflation of 10.2% per annum for one year, falling linearly over a further four years to 7% per annum and at 7% per annum thereafter.

At 1 January 2001 the Company's accrued estimated provision relating solely to current Group employees engaged in the business of the Company amounted to £775,000 (2000: £12,106,000), and the surplus provision over the liability estimated using the assumptions above is being spread over the average remaining service lives of the potential beneficiaries. Following the closure of the operations of the Company during 2001, an amount of £775,000 was transferred from the Company's balance sheet to another group company, representing the whole amount of the Company's liability.

The charge to the profit and loss account for the Company for 2001 amounts to £nil (2000: £84,000) before taxation relief.

Medical expenses of £nil (2000: £nil) have been charged against the Company provision. At 31 December 2001 the Company provision for medical expenses amounted to £nil (2000: £775,000).

27 Subordinated liabilities

	2001 £000	2000 £000
Dated loan capital		
0% subordinated unsecured loan stock		
- repayable on demand	21,000	-
6% subordinated unsecured loan capital		
- repayable after more than five years	2,046	-
	<u>23,046</u>	<u>-</u>
Amounts include:		
Due to other Group undertakings	<u>21,000</u>	<u>-</u>

CONTINUED
NOTES TO THE ACCOUNTS

27 Subordinated liabilities (continued)

Subordinated liabilities include an interest-free loan of £21,000,000 (2000: £nil) payable to Lazard LLC, maturing in 2010 and repayable on demand. An amount of £2,046,000 (2000: £nil) represents subordinated loans made by directors to the Company.

Claims in respect of the Company's loan capital are subordinated to the claims of other creditors. None of the Company's loan capital is secured.

28 Called up share capital

	2001 £000	2000 £000
Authorised		
1 (1) special rights redeemable preference share of £1	-	-
28,750,000 (28,750,000) ordinary shares of £1 each	28,750	28,750
5,000,000 (5,000,000) deferred shares of £1 each	5,000	5,000
	<u>33,750</u>	<u>33,750</u>
	2001 SwFr000	2000 SwFr000
1,000,000 (1,000,000) shares of SwFr 1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
1 (1) special rights redeemable preference share of £1	-	-
27,803,221 (27,803,221) ordinary shares of £1 each	27,803	27,803
5,000,000 (5,000,000) deferred shares of £1 each	5,000	5,000
	<u>32,803</u>	<u>32,803</u>

The special rights redeemable preference share entitles the holder to the right to a cumulative preferential dividend out of the profits of the Company referable to the profits of Lazard Asset Management Holdings Limited and its subsidiaries, calculated according to a formula set out in the Company's Articles of Association. It confers the right to receive notice of, but not to attend or speak or vote at any general meeting. However, it confers the rights on a winding up of the Company to be paid a sum equal to the amount paid up on the special rights redeemable preference share in priority to any distribution of capital to any holder of any ordinary share. In the event of a return of assets on liquidation or otherwise by Lazard Asset Management Limited, it confers the right to be paid out of the profits of the Company available for distribution a cumulative preferential dividend calculated according to a formula set out in the Company's Articles of Association. The Company may at any time redeem the special rights redeemable preference share with the prior written consent of the holder but not otherwise.

The deferred shares and the Swiss Franc shares do not confer the right to receive any dividend, nor the right to receive notice of, attend, or vote at any general meeting. They confer the right, on a winding up, to the repayment of the amounts paid up thereon, after payment to the holders of the ordinary shares of the sum of £100 in respect of each ordinary share held by them.

The ordinary shares constitute equity interests and the special rights redeemable preference share and the deferred shares constitute non-equity interests.

CONTINUED
NOTES TO THE ACCOUNTS

29 Reserves

	Share premium £000	Capital redemption reserve £000	Profit and loss account £000
As at 1 January 2001	45,282	408	31,344
Transfer from reserves	-	-	(11,744)
As at 31 December 2001	<u>45,282</u>	<u>408</u>	<u>19,600</u>

30 Shareholders' funds

	2001 £000	2000 £000
(a) Reconciliation of shareholders' funds		
Profit attributable to shareholders	16,881	16,745
Dividends	(28,625)	(31,060)
	<u>(11,744)</u>	<u>(14,315)</u>
Revaluation of Swiss Franc share premium	-	(438)
Net reduction in shareholders' funds	(11,744)	(14,753)
Opening shareholders' funds	109,837	124,590
Closing shareholders' funds	<u>98,093</u>	<u>109,837</u>
(b) Analysis of non-equity interests		
	2001 £000	2000 £000
Deferred shares of £1 each	<u>5,000</u>	<u>5,000</u>

CONTINUED
NOTES TO THE ACCOUNTS

31 Financial Instruments

Risk management

Following the closure of the Company's money markets operations in September 2001, the risk profile of the Company has changed significantly and risk management policies and operations have been altered accordingly.

The Company's funding, liquidity and exposure to interest rate and foreign exchange rates risks are now managed by the finance department, which reports to the Lazard London Treasury Committee. *Treasury operations are conducted in accordance with corporate treasury policy which is reviewed quarterly.* The Company now uses derivative financial instruments for risk management purposes only.

The Lazard London Risk Committee discusses issues of general policy, appropriateness and effectiveness of current standards and controls, and considers any material changes to such controls. The Committee comprises senior individuals with a broad understanding of market, credit, legal, regulatory and operational risks. This includes the compliance officer, the head of internal audit and the heads of the central departments and is chaired by the head of finance.

Currency risk

The Company publishes its financial statements in pounds sterling, but conducts a significant portion of its business in foreign currencies, predominantly US dollars. It is therefore subject to foreign currency exchange rate risk as a result of exchange rate movements that affect income and asset values. In 2001 the Company hedged a substantial portion of its exposure to fluctuations on the translation into pounds sterling of its foreign currency income and assets by entering into forward foreign exchange rate contracts. This policy has been altered in 2002 and the Company has ceased to hedge exposures to the US dollar because the Company's ultimate parent company is located in the USA.

The functional currency of the Company's asset trading business is US dollars. Exposures to foreign currencies other than US dollars are hedged by entering into forward foreign exchange rate contracts.

The table below shows the Company's non-trading book transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the Company that are not denominated in the functional currency of the operating unit involved. At 31 December 2001, these exposures were as follows:

Functional currency	Sterling £000	US dollar £000	Yen £000	Euro £000	Other £000	Total £000
Sterling	-	26,185	-	4,534	115	30,834
US dollar	-	-	-	-	-	-
Total	-	26,185	-	4,534	115	30,834

At 31 December 2000, the exposures were as follows:

Functional currency	Sterling £000	US dollar £000	Yen £000	Euro £000	Other £000	Total £000
Sterling	-	(212,830)	14,548	(1,127)	(317)	(199,726)
US dollar	(61)	-	198	(361)	(627)	(851)
Total	(61)	(212,830)	14,746	(1,488)	(944)	(200,577)

CONTINUED
NOTES TO THE ACCOUNTS

31 Financial Instruments (continued)

Credit risk

Credit risk is the risk that a third party fails to deliver all or part of a commitment under a transaction. This applies to all contracts, whether delivery is for the full amount of the underlying instruments or for a difference against a calculated change in price or value. Credit risk is monitored on a daily basis against limits for individual counterparties, their associated groupings and by geographic area.

Interest rate risk

Prior to the closure of the Company's money market operations, part of the Company's return on financial instruments was obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities were next reset to market rates, or, if earlier, the date on which the instruments matured. This is no longer the case. The Company invests excess liquidity in short term investments. It has few interest bearing liabilities. As required by FRS 13 "Financial Instruments", the table below summarises the repricing mismatches on the Company's assets and liabilities at 31 December 2001. Items are allocated to time bands on the earlier of the next contractual interest rate repricing date and the maturity date.

	Less than 3 months £000	Over 3 months but less than 6 months £000	Over 6 months but less than 1 year £000	Over 1 year but less than 5 years £000	Over 5 years £000	Non interest bearing £000	Total £000
Assets							
Loans and advances to banks	48,821	-	-	-	-	-	48,821
Loans and advances to customers	-	695	3,000	-	4,726	1,556	9,977
Debt securities and other fixed income securities ⁽¹⁾	26,000	-	554	24,877	8,156	-	59,587
Equity shares	-	-	-	-	-	13,657	13,657
Other current and fixed assets	-	-	-	-	-	36,478	36,478
Total assets	74,821	695	3,554	24,877	12,882	51,691	168,520
Liabilities							
Deposits by banks	-	-	-	-	-	(3)	(3)
Customer accounts	-	-	-	-	(205)	(2,779)	(2,984)
Other current and long-term liabilities	-	-	-	-	(2,046)	(163,487)	(165,533)
Total liabilities	-	-	-	-	(2,251)	(166,269)	(168,520)
Off balance sheet items	-	-	-	(4,826)	-	-	(4,826)
Interest rate gap	74,821	695	3,554	20,051	10,631	(114,578)	(4,826)
Cumulative gap	74,821	75,516	79,070	99,121	109,752	(4,826)	

(1) Includes all trading securities, amounting to £14,155,000.

CONTINUED
NOTES TO THE ACCOUNTS

31 Financial Instruments (continued)

Interest rate risk

The table below summarises the repricing mismatches on the Company's non-trading book (excluding short-term debtors and creditors) at 31 December 2000.

	Less than 3 months £000	Over 3 months but less than 6 months £000	Over 6 months but less than 1 year £000	Over 1 year but less than 5 years £000	Over 5 years £000	Non interest bearing £000	Total £000
Assets							
Cash and balances at central bank	-	-	-	-	-	73	73
Loans and advances to banks	214,506	-	-	-	-	3,222	217,728
Loans and advances to customers	35,542	341	593	-	-	6,539	43,015
Debt securities and other fixed income securities	6,710	-	10,774	79,709	-	-	97,193
Equity shares	-	-	-	-	-	12,657	12,657
Other assets	1,271	183	-	8,986	5,318	-	15,758
Total assets	258,029	524	11,367	88,695	5,318	22,491	386,424
Liabilities							
Deposits by banks	(595,361)	(19,920)	-	-	-	-	(615,281)
Customer accounts	(377,277)	(2,500)	(3,000)	-	-	-	(382,777)
Debt securities in issue	(140,443)	(7,800)	(5,000)	-	-	-	(153,243)
Short positions in securities	-	-	-	(350,000)	(359,433)	-	(709,433)
Total liabilities	(1,113,081)	(30,220)	(8,000)	(350,000)	(359,433)	-	(1,860,734)
Off balance sheet items	(138,233)	275,000	100,000	278,058	350,000	-	864,825
Interest rate gap	(993,285)	245,304	103,367	16,753	(4,115)	22,491	(609,485)
Cumulative gap	(993,285)	(747,981)	(644,614)	(627,861)	(631,976)	(609,485)	-

Liquidity risk

The Company monitors significant inward and outward cashflows on a daily basis in order to ensure its ability to meet its commitments. The Company treasury policy sets out parameters for liquidity and maturity within which cash balances are invested. The majority of funds are held on a maturity of less than one month.

Operational risk

Operational risks arise from inadequate or failed internal processes due to human error or systems failure or from external events. These are managed by line management. The Legal Department is responsible to the Board for the design and implementation of any transfer of operational risks through insurance. Internal Audit is responsible to the Board for carrying out regular independent reviews of all financial and operational risks and related controls.

CONTINUED
NOTES TO THE ACCOUNTS

31 Financial Instruments (continued)

Fair values

Financial instruments held for trading purposes are valued at the market rates prevailing at the balance sheet date. The fair values of listed, publicly traded securities and other debt held for non-trading purposes (comprising debt securities, equity shares and other assets) are disclosed under the relevant balance sheet note. Stock lending and borrowing activity is marked to market on a daily basis and fair values are disclosed under the relevant balance sheet note. The replacement cost of derivative contracts, which is considered to be the positive fair value, and the notional principal amounts and maturity profiles of derivatives held by the Group are disclosed in note 32.

Hedges

The Company's policy on hedging was altered following the closure of its money markets business. As at 31 December 2001 the policy was to hedge Company exposures (predominantly to movements in foreign exchange rate risk) on an individual basis. The Company has hedged its exposures to foreign exchange rate movements with forward foreign exchange rate contracts and to certain interest rate movements with interest rate swaps. In 2002 the Company has ceased to hedge its exposures to US dollar exchange rate movements because its ultimate parent company is located in the USA.

Non-trading derivatives are used for hedging purposes and accounted for on an accruals basis, consistent with the assets, liabilities, or positions being hedged. Income and expense on non-trading derivatives are recognised as they accrue over the life of the instruments as an adjustment to interest receivable or payable. Losses on these instruments (arising from changes in fair value) are recognised in the profit and loss account as they rise. Gains are carried forward in the balance sheet and when the hedged transaction occurs, the gain is recognised in the profit and loss account at the same time as the hedged item.

The table below shows the extent to which the Company has unrecognised gains and losses in respect of financial instruments used as hedges at the end of December 2001. Unrecognised gains and losses on hedges are expected to be matched by unrecognised losses and gains on the underlying transactions or positions being hedged.

	Gains £000	Losses £000	Total net gains/(losses) £000
Unrecognised gains/(losses) at 1 January 2001	60,225	(815)	59,410
Gains/(losses) arising before 1 January 2001 that were recognised in 2001	(60,225)	632	(59,593)
Gains/(losses) arising before 1 January 2001 that were not recognised in 2001	-	(183)	(183)
Gains/(losses) arising in 2001 that were not recognised in 2001	-	-	-
Unrecognised gains/(losses) at 31 December 2001	-	(183)	(183)
Gains/(losses) expected to be recognised in 2002	-	-	-
Gains/(losses) expected to be recognised thereafter	-	(183)	(183)

CONTINUED
NOTES TO THE ACCOUNTS

32 Memorandum items, foreign exchange and interest rate contracts

The Company enters into derivatives contracts for non-trading purposes and to hedge trading assets. Derivatives that hedge trading assets are classified as trading derivatives. Exchange rate contracts include cross currency swaps and foreign exchange forwards, equity contracts include equity swaps, and interest rate contracts include interest rate swaps and forward rate agreements.

The tables below give, for the Company, the notional principal amounts and risk weighted amounts of off-balance sheet transactions. The notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The credit risk weighted amount, which is calculated in accordance with the Financial Services Authority guidelines, is based upon replacement costs, but also takes into account measures of potential future credit exposure and the nature of the counterparty.

	2001				2000			
	Notional principal amount £m	Risk weighted amount £m	Gross positive fair value £m	Gross negative fair value £m	Notional principal amount £m	Risk weighted amount £m	Gross positive fair value £m	Gross negative fair value £m
Company								
Contingent liabilities								
Acceptances and endorsements					10	2		
Guarantees and assets pledged as collateral security								
- guarantees given	1	1			4	3		
- assets pledged as collateral security								
	14	3			-	-		
	<u>15</u>	<u>4</u>			<u>14</u>	<u>5</u>		
Commitments								
Forward asset purchases and forward deposits placed	-	-			2	2		
Undrawn formal standby facilities, credit lines and other commitments to lend								
- less than 1 year	-	-			1	-		
- 1 year and over	10	6			-	-		
	<u>10</u>	<u>6</u>			<u>3</u>	<u>2</u>		
	<u>25</u>	<u>10</u>			<u>17</u>	<u>7</u>		
Exchange rate contracts								
Non-trading								
- less than 1 year	25	-	-	-	-	-	-	-
- 1 year and over	-	-	-	-	7	-	1	-
	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>1</u>	<u>-</u>
Trading								
- less than 1 year	9	1	1	-	1,237	2	15	16
	<u>9</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1,237</u>	<u>2</u>	<u>15</u>	<u>16</u>
Interest rate contracts								
Non trading								
- less than 1 year	-	-	-	-	732	-	-	1
- 1 year and over	5	-	-	-	798	14	60	2
	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,530</u>	<u>14</u>	<u>60</u>	<u>3</u>
Trading								
- less than 1 year	-	-	-	-	50	-	1	-
- 1 year and over	-	-	-	-	277	1	3	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327</u>	<u>1</u>	<u>4</u>	<u>-</u>
Equity contracts								
Trading								
- less than 1 year	-	-	-	-	177	4	8	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>4</u>	<u>8</u>	<u>-</u>
	<u>39</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>3,278</u>	<u>21</u>	<u>88</u>	<u>19</u>

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NOTES TO THE ACCOUNTS

33 Related party transactions

In accordance with FRS 8, paragraph 3(c), the Company is exempt from disclosing transactions with companies within the same group as it is a wholly owned subsidiary of a company that publishes consolidated financial statements.

34 Segmental information

Following the closure of its money markets business, the Company has one main activity, asset trading and related activities. No geographical analysis is given, as more than 90% of the Company's activities are within the EU.

35 Miscellaneous

	2001 £000	2000 £000
(a) Operating lease commitments		
Land and buildings		
- expiring after more than five years	-	5,518
	-	5,518

In 2001, the Company's lease commitments were transferred to Lazard & Co., Services Limited.

	2001 £000	2000 £000
(b) Asset and liabilities denominated by currency		
Denominated in sterling	107,406	7,582,048
Denominated in currencies other than sterling	61,114	675,426
Total assets	168,520	8,257,474
Denominated in sterling	126,524	7,581,425
Denominated in currencies other than sterling	41,996	676,049
Total liabilities	168,520	8,257,474

36 Ultimate parent company

The parent company of the smallest group which includes the Company, and for which group accounts are to be prepared and the Company's immediate controlling party, is Lazard & Co., Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales.

Copies of Lazard & Co., Holdings Limited's financial statements may be obtained from The Secretary, Lazard & Co., Holdings Limited, 21 Moorfields, London EC2P 2HT.

The Company's ultimate parent company and ultimate controlling party is Lazard LLC, a Delaware limited liability company.