

Lazard Brothers & Co., Limited

ANNUAL REPORT  
1994



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## DIRECTORS AND OFFICERS

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### Lazard Brothers & Co., Limited

**Chairman**

D J Verey\*

**Deputy chairman**

M A David-Weill\*

**Vice chairmen**

M A P Agius\*

J F Nelson\*

**Executive directors**

S L S Adde

D J L F Anderson

M C Baughan\*

A L Blakesley\*

E D Bottari

M C Bottenheim\*

W Buist-Wells

J R Collins

A M Coveney

T Cross Brown\*

D S Cummings

J D S Dawson

J S Dear\*

\*Managing

**Assistant directors**

Susan E Ainge

Hilary C B Britton

P E Brock

Miranda G Corti

N M A Costain

C F M Cox

M J Crouch

L B Davies

M J Elger

Stephanie A H Field

S W Fisk

A D E Gardner

H E Durey

L A W Evans\*

C C Fisher

M H Gidney

P A Gismondi

Frances A Heaton

C N C Hill

P G Hock

P A Jameson

A D Johnston

N M H Jones\*

J A Kitchen

N T Lukes

M F McGonigle

D J McMillan

C B Meiluish

J J Mora del Río

M G Moyes

C M Packshaw

N S Parkes

S C C Pryce

W J Rucker

J P H S Scott

N R Shott

J W Sillem\*

D J Supino\*

Hon P N N Turner\*

D R Twining

J M A Wilford

K M H Wilson

J J Winterbotham

M E Zaheen

**Directors**

R E Alcock

Viscount Blakenham\*

U Bose

M W Burrell

Sir Ian Fraser, CBE, MC

T C Glucklich

J-C Haas\*

J A B Joll\*

N D M Mackay

S W Oliver

J C Orr

A E Wambold\*

**Secretary**

A J Eady

Margaret E Manley

C N Mayfield

P J Noble

N D Palfreman

R K Simmonds

K J Smith

R M Stables

B Walker

P D Warner

S Westwater

M J Yeo

### Lazard Investors Limited

**Chairman**

L A W Evans

**Chief executive**

T Cross Brown

**Directors**

R K Berrill

S R J Carter

Beth A B Cazalet

V A Cazalet

P Chrimes

I B Donald

Ann Erskine

D Fuschillo

M P Goodall

D T Gould

S M Hazlerigg

Margaret E Manley

C B Melliush

J P M Norbury

G P O'Reilly

N S Parkes

G Peat

P Rintoul

Lynne M Ross

P C N Shine

R F Smith

P M C J Stevens

Charlotte L Syder

J R Tennant

R P A Tyer

D J Verey

N S Wright

## DIRECTORS' REPORT

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The directors submit to the members their annual report and the audited accounts for the year ended 31 December 1994. The business of the company and its subsidiaries continues to be that of merchant banking and related activities, the company being an authorised institution under the Banking Act 1987 and a member of The Securities and Futures Authority. Certain subsidiaries are also members of the appropriate self-regulating organisations.

### Review of the year

The company achieved a good performance in 1994 despite the prevalence of volatile market conditions.

### Share capital

A company controlled by Lazard Partners Limited Partnership sold on various dates to certain option holders the following ordinary shares in satisfaction of rights under the company's share option scheme:

Price per share (p)	No. of shares
320	3,197
517.5	625
	<hr/>
	3,822

On 12 December 1994 options over 141,536 ordinary shares were granted under the scheme at 480p per share, all of which remained outstanding at the end of the year.

Details of all options outstanding are shown in note 26 to the accounts.

### Profit, dividends and reserves

The profit of the group, after taxation, amounted to £20,992,000. A second interim dividend of 14.2274377p per ordinary share of £1 in respect of the year ended 31 December 1993 was paid on 30 December 1994. Interim dividends of 35.5685942p per ordinary share

of £1 and of Sw Fr 4.324796 per Swiss Franc share of Sw Fr 1 in respect of the year ended 31 December 1994 were paid on 30 December 1994 and 25 May 1994 respectively. It is intended that a further dividend in respect of that year, the amount of which has not yet been determined, will be paid on the ordinary shares on 29 December 1995. No final dividend is proposed on the Swiss Franc shares. The dividends paid totalled £14,626,000, which leaves a retained profit of £6,366,000.

### Directors and their interests

The names of the present directors are shown on page 2.

D S Cummings and J J Mora del Río were appointed Executive Directors on 1 January 1994, M G Moyes on 1 August 1994, E D Bottari, C N C Hill, P A Jameson, S C C Pryce, W J Rucker, D J Supino, J M A Wilford and J J Winterbotham on 1 January 1995 and J W Sillem on 1 February 1995. M J Roberts, P R Knapton, K Jones and J G West resigned as Executive Directors on 5 March 1994, 19 May 1994, 8 July 1994 and 9 September 1994 respectively. A G Catto, F R de Giorgis, Patricia J Maxwell-Arnot, A P C Northrop and A E Wambold resigned as Executive Directors on 31 December 1994, but Mr Wambold remains a director. M C Francis resigned as an Executive Director on 11 January 1995.

The interests of the directors are shown on page 5.

### Directors' responsibilities

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the company and of its profit for the period to which the financial statements relate. In preparing those financial statements, the directors are required to select suitable accounting policies and apply them consistently, make estimates that are reasonable and prudent and prepare the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records and they are also

# DIRECTORS' REPORT

continued

responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Employees

The average number of persons employed by the company and its subsidiaries during the year, excluding persons who worked wholly or mainly outside the United Kingdom, was 607. Of these 410 were directly engaged in merchant banking activities and 197 were engaged in administration functions. The company gives full and fair consideration to the employment of disabled persons, having regard to their particular 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.

The company provided employees with information on matters of concern to them by means of memoranda and brochures and the posting of notices, including copies of press releases. It learned of employees' views through committees, which met regularly. Involvement in the company's performance was encouraged by way of the issue of further invitations to employees to join the company's profit participation schemes, including a Profit-Related Pay ("PRP") Scheme registered with the Inland Revenue under the Income and Corporation Taxes Act 1988. The number of participants in these schemes at the end of the year excluding directors was 404 (out of a total number of employees other than directors of 562), who shared £2,942,000 (1993: £2,558,000). The number of directors sharing in the profits of the company was 52, of whom 30 were participants in the PRP Scheme.

The number of participants in the Save-As-You-Earn Share Option Scheme at the end of the year was 236.

The company sought to achieve a common awareness on the part of employees of the financial and economic factors affecting its performance by the distribution of copies of its annual report and accounts and by the holding of meetings at which the Chairman discussed its performance and answered questions.

During the year the company purchased and maintained for certain officers (including directors) of itself and its subsidiaries insurance against certain liabilities which might be incurred by them in relation to such companies.

## Donations

Donations to charities totalled £211,000 in 1994 and a contribution of £35,000 was made to Conservative Party funds.

By order of the board

**A J Eady**  
Secretary



Registered Office:  
21 Moorfields  
London EC2P 2HT

Registered Number: 162175

20 February 1995

## DIRECTORS' INTERESTS

The interests of those persons who were directors at the end of 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.

M A David-Weill had interests in 750,000 Lazard Brothers & Co., Limited deferred shares at 1 January 1994 and at 31 December 1994. Interests in the ordinary shares of the company at 1 January 1994 and at 31 December 1994 are listed below. The directors marked † had interests at both dates in Lazard Partners Limited Partnership (a Delaware limited partnership which controlled all of the issued ordinary shares of the company except 20,587 thereof at 1 January 1994 and 24,409 thereof at 31 December 1994 and all of the issued Swiss Franc shares of the company at both dates), the director marked †† had such an interest only at the former date and the directors marked ††† had such interests only at the latter date.

### Lazard Brothers & Co., Limited ordinary share options under the share option scheme

	31 December 1994	1 January 1994
S L S Adde	3,593	—
M A P Agius	4,780	4,125
† D J L F Anderson	2,339	1,621
M C Baughan	5,859	5,859
† A L Blakesley	5,859	5,859
J R Collins	5,859	5,859
A M Coveney	2,343	2,343
† T Cross Brown	4,952	3,515
D S Cummings	3,943	3,225
† M A David-Weill	—	—
J S Dear	5,405	4,687
H E Durey	4,960	3,335
L A W Evans	4,062	—
C C Fisher	4,074	3,356
M C Francis	5,371	5,371
P A Gismondi	1,625	—
† J-C Haas	—	—
Frances A Heaton	900	900
P G Hock	3,443	1,575
A D Johnston	5,405	4,687
J A Kitchen	2,275	2,275
N T Lukes	1,350	1,350
M F McGonigle	3,593	—
†† N D M Mackay	—	5,913
D J McMillan	4,465	4,419
† C B Melluish	4,985	4,173
††† J J Mora del Rio	—	—
† J F Nelson	—	—
C M Packshaw	3,468	450
††† N S Parkes	2,343	2,343
J P H S Scott	2,808	2,090
Hon P N N Turner	5,859	5,859
† D R Twining	—	—
† D J Verey	21,032**	16,999*
† A E Wambold	—	—
K M H Wilson	900	1,595

\* 12,799 of this interest related to shares, following the exercise of the relevant options and further purchases

\*\* 16,114 of this interest related to shares, following the exercise of the relevant options and further purchases

# REPORT OF THE AUDITORS

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**to the members of Lazard Brothers & Co., Limited**

We have audited the financial statements on pages 7 to 29.

## **Respective responsibilities of directors and auditors**

As described on pages 3 and 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## **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 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 affairs of the company and the group at 31 December 1994 and of the profit and cash flow of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Coopers & Lybrand*

**Coopers & Lybrand**

Chartered Accountants and Registered Auditors  
London

20 February 1995

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1994

Note	1994 £000	1993 £000
Interest receivable:		
– interest receivable and similar income from debt securities and other fixed income securities	41,473	26,511
– other interest receivable and similar income	61,604	101,864
Less: Interest payable	(89,701)	(115,200)
<b>Net interest income</b>	<b>13,376</b>	<b>13,175</b>
2 Dividend income	369	424
Income from associated undertakings	5,202	13,350
Fees and commissions receivable	69,090	66,341
Less: Fees and commissions payable	(1,414)	(1,389)
Dealing profits	20,781	19,266
Other operating income	1,766	582
<b>Operating income</b>	<b>109,170</b>	<b>111,749</b>
3 Administrative expenses	(76,961)	(69,584)
18 Depreciation and amortisation	(1,526)	(1,836)
14 Amounts written back to fixed asset securities	82	93
4 <b>Profit on ordinary activities before tax</b>	<b>30,765</b>	<b>40,422</b>
7 Tax on profit on ordinary activities	(9,773)	(12,567)
<b>Profit attributable to shareholders</b>	<b>20,992</b>	<b>27,855</b>
8 Equity and non-equity dividends		
– in respect of the year ended 31 December 1993	(3,600)	(12,158)
– in respect of the year ended 31 December 1994	(11,026)	–
27 <b>Retained profit for the year</b>	<b>6,366</b>	<b>15,697</b>

No gains or losses have been recognised in these financial statements other than those reflected in the Consolidated Profit and Loss Account. A reconciliation of the movement in shareholders' funds is shown in note 28. All businesses are regarded as continuing.



## CONSOLIDATED BALANCE SHEET

at 31 December 1994

Note		1994 £000	1993 £000
	<b>Assets</b>		
	Cash and balance at central bank	35	52
10	Treasury bills and other eligible bills	19,063	31,095
11	Loans and advances to banks	763,838	785,103
12	Loans and advances to customers	378,932	722,841
13	Debt securities	914,652	516,306
14	Equity shares	10,335	6,699
15	Interests in associated undertakings	63,033	61,157
18	Tangible fixed assets	4,223	3,229
19	Other assets	81,728	60,513
	Prepayments and accrued income	34,709	36,084
	<b>Total assets</b>	<b>2,270,548</b>	<b>2,223,079</b>
	<b>Liabilities</b>		
20	Deposits by banks	339,493	504,160
21	Customer accounts	1,184,396	1,309,086
22	Debt securities in issue	127,879	157,642
23	Other liabilities	403,450	51,231
	Accruals and deferred income	33,149	25,988
	Provisions for liabilities and charges		
24	– deferred taxation	2,586	5,085
25	– other	6,992	6,727
		2,097,945	2,059,919
26	Called up share capital	30,711	30,711
27	Share premium account	58,094	55,017
27	Profit and loss account	83,798	77,432
28	<b>Total shareholders' funds</b>	<b>172,603</b>	<b>163,160</b>
	– Equity interests	119,689	113,323
	– Non-equity interests	52,914	49,837
	<b>Total liabilities</b>	<b>2,270,548</b>	<b>2,223,079</b>
29	<b>Memorandum items</b>		
	Contingent liabilities		
	– acceptances and endorsements	72,000	80,900
	– guarantees	31,158	34,117
		103,158	115,017
	Commitments	34,341	66,687
		<b>137,499</b>	<b>181,704</b>

## BALANCE SHEET

at 31 December 1994

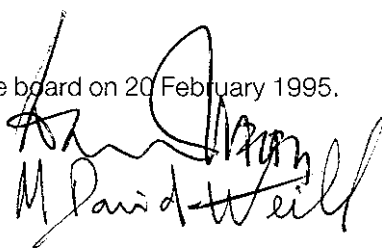
Note		1994 £000	1993 £000
	<b>Assets</b>		
	Cash and balance at central bank	35	51
10	Treasury bills and other eligible bills	19,063	31,095
11	Loans and advances to banks	494,479	529,970
12	Loans and advances to customers	425,029	775,953
13	Debt securities	474,572	435,131
14	Equity shares	7,504	5,188
15	Interests in associated undertakings	425	646
16	Other participating interests	970	1,024
17	Shares in group undertakings	2,957	781
18	Tangible fixed assets	3,929	2,740
19	Other assets	48,062	21,281
	Prepayments and accrued income	33,493	36,907
	<b>Total assets</b>	<b>1,510,518</b>	<b>1,840,767</b>
	<b>Liabilities</b>		
20	Deposits by banks	344,813	484,655
21	Customer accounts	846,779	1,032,174
22	Debt securities in issue	127,879	157,642
23	Other liabilities	32,580	8,120
	Accruals and deferred income	23,043	23,387
	Provisions for liabilities and charges		
24	– deferred taxation	71	16
25	– other	6,547	6,322
		<b>1,381,712</b>	<b>1,712,316</b>
26	Called up share capital	30,711	30,711
27	Share premium account	50,180	50,180
27	Profit and loss account	47,915	47,560
	<b>Total shareholders' funds</b>	<b>128,806</b>	<b>128,451</b>
	– Equity interests	83,806	83,451
	– Non-equity interests	45,000	45,000
	<b>Total liabilities</b>	<b>1,510,518</b>	<b>1,840,767</b>
30	<b>Memorandum items</b>		
	Contingent liabilities		
	– acceptances and endorsements	72,000	80,900
	– guarantees	10,891	5,971
		<b>82,891</b>	<b>86,871</b>
	Commitments	12,395	59,770
		<b>95,286</b>	<b>146,641</b>

Signed on behalf of the board on 20 February 1995.

David J Verey

M David-Weill

Directors



# CONSOLIDATED CASH FLOW STATEMENT

**for the year ended 31 December 1994**

Note		1994 £000	1993 £000
31	Net cash inflow/(outflow) from operating activities	552,171	(288,805)
	Returns on investments and servicing of finance		
	– dividends received from associated undertaking	5,878	5,236
	– ordinary dividends paid	(14,626)	(16,158)
	Net cash outflows from returns on investments and servicing of finance	(8,748)	(10,922)
	Taxation		
	– United Kingdom corporation tax paid	(4,250)	(3,420)
	– overseas tax paid	(1,563)	(3,754)
	Total tax paid	(5,813)	(7,174)
	Investing activities		
	– acquisition of subsidiary undertakings	–	(374)
	– acquisition of equities	(4,826)	(1,422)
	– sales of equities	1,414	484
	– acquisition of associated undertakings	(40)	(1,044)
	– purchase of tangible fixed assets	(2,780)	(1,470)
	– sale of tangible fixed assets	585	1,068
	Net cash outflow from investing activities	(5,647)	(2,758)
	Net cash inflow/(outflow) before financing	<b>531,963</b>	<b>(309,659)</b>
31	Increase/(decrease) in cash and cash equivalents	<b>531,963</b>	<b>(309,659)</b>

Cash and cash equivalents exclude trading positions and certain other liquid assets which fall outside the definition prescribed by Financial Reporting Standard 1. Accordingly the above statement, which has been drawn up solely in order to comply with that Standard, does not, of itself, provide useful information about the liquidity of the group.

The comparatives have been restated to reflect the inclusion of funds paid and received in connection with the purchase and sale of equities within investing activities and the reclassification of the movement of debt securities in issue from a cash outflow from financing to a reconciling item in the reconciliation of group operating profit to net cash inflow/(outflow) from operating activities.

# NOTES ON THE ACCOUNTS

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## 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 of the Companies Act 1985 relating to banking companies and banking groups and applicable Accounting Standards in the United Kingdom.

### (b) Basis of consolidation

The accounts of subsidiary undertakings are made up to 31 December and are included in the consolidated accounts. Joint ventures are consolidated on a proportional basis.

Investments in associated companies, where material, are carried at the attributable share of their net tangible assets.

### (c) Goodwill

Goodwill, being the net excess of the cost of shares in subsidiaries, partnerships and associated companies over the value attributable to their net tangible assets on acquisition, is written off against reserves in the year of acquisition.

### (d) Debt securities and treasury bills

Debt instruments are included at cost, adjusted for discount accretion or premium amortisation where the intention is to hold them to maturity. Debt instruments intended for use on a continuing basis in the group's activities are classified as investment securities. 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 valued at the market rates prevailing at the balance sheet date. The cost of such debt instrument positions is not disclosed in these financial statements as it cannot be determined without unreasonable expense.

### (e) Equity shares

Shares and securities intended for use on a continuing basis in the group's activities are classified as fixed asset securities. Such shares and securities are stated at cost less provision for any permanent diminution in value.

### (f) Net investment in finance leases

The net investment in finance leases represents the outstanding rentals receivable over the remaining life of the leases less gross earnings attributable to future periods.

Gross earnings are allocated to accounting periods over the lease term to produce a reasonable approximation to a constant rate of return on each period's net cash investment in the lease. The net investment in leases is fully written off over the primary period of each lease.

In 1994 the net investment in finance leases has been included in loans and advances to customers rather than in other assets. The comparatives have been restated accordingly.

### (g) 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 prevailing at the balance sheet date 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.

# NOTES ON THE ACCOUNTS

## 1 Accounting policies (continued)

### (h) Tangible fixed assets

Motor vehicles, computer and other equipment are capitalised and depreciated on a straight line basis over three or 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 year in which it is committed. As a consequence, any element of depreciation would, in the opinion of the directors, be immaterial and no provision for depreciation has been made in the company's accounts. Improvements to long leasehold property in the Channel Islands are, however, depreciated at on a straight line basis over four years.

### (i) 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.

### (j) Deferred taxation

Full provision is made, using the liability method, to take account of timing differences which exist between the treatment for accounts purposes of assets leased to customers and of other items and their treatment for taxation purposes, to the extent that the directors consider that it is probable that a liability or asset will arise.

### (k) Provisions for bad and doubtful debts

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

### (l) Pensions

The pension cost 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.

### (m) Interest receivable and payable

Interest is charged to business areas which use the group's capital. The profits of these business areas are stated net of these charges. The interest income arising from these charges is included in interest receivable.

## 2 Dividend income

	1994 £000	1993 £000
Income from equity shares	<u>369</u>	<u>424</u>

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### 3 Administrative expenses

	1994 £000	1993 £000
Staff costs		
– wages and salaries	24,023	23,009
– social security costs	2,560	1,909
– other pension costs	4,132	4,502
Other administrative expenses	46,246	40,164
	<u>76,961</u>	<u>69,584</u>

Administrative expenses include profit-related staff bonuses and directors' "partnership" shares. The "partnership" shares are described further in note 5.

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### 4 Profit on ordinary activities before tax

	1994 £000	1993 £000
This is stated after taking into account		
<b>(i) Income</b>		
Profits less losses on securities dealing	169	330
Profits less losses on disposal of investment securities	381	145
Aggregate rentals receivable under finance leases less amortisation of leases	2,175	3,221
<b>(ii) Charges</b>		
Auditors' remuneration – group	286	295
Auditors' remuneration – company	129	125
Auditors' remuneration for non-audit work – group	131	172

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### 5 Directors and officers

#### (a) Emoluments

Directors' emoluments in respect of 1994, including their "partnership" share in revenue profits and pension scheme contributions, were £17,011,000 (1993: £15,840,000). Compensation paid for loss of office as Executive Directors was £985,000 (1993: £207,000). Aggregate contributions to pension schemes in respect of directors and past directors amounted to £2,015,000 (1993: £1,826,000).

The emoluments of the Chairman, who was also the highest paid director, during 1994 were £809,000 (1993: £812,000).

Contributions from profits are made each year to an Employee Benefit Trust, the trustees of which are directors of the company. The company's contributions to the Trust in relation to 1994 totalled £11,000,000 (1993: £11,500,000). Amongst other payments, a "partnership" share was paid to directors out of the Trust during 1995 in respect of 1994 and amounts so paid are included in the table below.

## NOTES ON THE ACCOUNTS

## 5 Directors and officers (continued)

The emoluments, comprising basic remuneration, "partnership" share in revenue profits and other profit sharing payments (but excluding pension contributions), of directors other than those who discharged their duties wholly or mainly outside the United Kingdom were:

	1994 Basic Remuneration	1994 "Partnership" share in revenue profits etc.	1994 Total Emoluments	1993 Total Emoluments
Nil – £5,000	5	8	2	3
£5,001 – £10,000		2		
£10,001 – £15,000		1		1
£15,001 – £20,000	2		2	1
£20,001 – £25,000	2		1	1
£25,001 – £30,000				1
£30,001 – £35,000		1	1	1
£35,001 – £40,000	1			
£40,001 – £45,000	1		1	
£45,001 – £50,000	1		2	
£60,001 – £65,000	2	7	2	2
£65,001 – £70,000	1	1		1
£70,001 – £75,000	1	1	1	
£75,001 – £80,000	1	3		2
£80,001 – £85,000	22		1	
£85,001 – £90,000	7		1	1
£90,001 – £95,000	5	3	1	
£95,001 – £100,000	3			
£100,001 – £105,000	1			
£105,001 – £110,000	1			
£110,001 – £115,000				3
£115,001 – £120,000		1		
£120,001 – £125,000	1	3		1
£130,001 – £135,000			1	
£140,001 – £145,000		1	1	2
£145,001 – £150,000			3	
£150,001 – £155,000		5		
£155,001 – £160,000			1	3
£160,001 – £165,000			2	1
£170,001 – £175,000				3
£175,001 – £180,000			4	2
£185,001 – £190,000		2		
£190,001 – £195,000				1
£200,001 – £205,000		2	1	2
£205,001 – £210,000			3	
£220,001 – £225,000				1
£225,001 – £230,000		1		
£230,001 – £235,000		1		5
£235,001 – £240,000			5	1
£245,001 – £250,000			1	
£260,001 – £265,000				1
£265,001 – £270,000				2
£270,001 – £275,000			2	2
£285,001 – £290,000			2	
£290,001 – £295,000		1		
£310,001 – £315,000		2	1	
£315,001 – £320,000			1	
£330,001 – £335,000				1
£345,001 – £350,000		1		
£370,001 – £375,000		3		
£380,001 – £385,000			1	
£395,001 – £400,000			1	1
£405,001 – £410,000			1	
£410,001 – £415,000			1	
£450,001 – £455,000				1
£455,001 – £460,000			2	1
£460,001 – £465,000			1	1
£465,001 – £470,000				1
£470,001 – £475,000				1
£480,001 – £485,000		1		
£495,001 – £500,000		1		
£555,001 – £560,000		3		
£570,001 – £575,000			1	
£580,001 – £585,000			1	2
£645,001 – £650,000			1	1
£650,001 – £655,000		1		
£655,001 – £660,000			1	1
£665,001 – £670,000			1	1
£680,001 – £685,000		1		
£735,001 – £740,000			1	
£805,001 – £810,000			1	
£810,001 – £815,000				1

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## 5 Directors and officers (continued)

### (b) Loans and transactions

At 31 December 1994 there were outstanding loans to 25 directors of £603,000. No amounts were outstanding in respect of quasi-loans or credit transactions for any director.

At 31 December 1994 there were outstanding a loan of £35,000 and a quasi-loan of £2,000 to an officer who is a manager within the meaning of the Banking Act 1987. No amounts were outstanding in respect of credit transactions for him.

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## 6 Pension costs

The group operates three pension schemes of the defined benefit type which have assets held in separate trustee administered funds. In addition, contributions are made to personal pension and other defined contribution schemes for certain individuals. For 1994 total pension costs were £4,132,000 (1993: £4,502,000). The decrease reflects the impact of valuations carried out as at 1 January 1994, the details of which are set out below.

The actuaries advise that the assumptions which have the most significant effect on the results of the valuation are the so-called "economic assumptions". They have assumed that investment returns will be 9% per annum, general salary increases will average 7 to 8% per annum and price inflation, pension increases and dividend growth will run at 5% per annum. Each of the defined benefit schemes has had a full valuation using the projected unit funding method within three years of 31 December 1994.

On a current funding level basis there is no deficiency in any of the schemes. Combining the results of their latest on-going actuarial valuations, the schemes held assets with a market value of £118,164,000 and the actuarial value of these assets covered 112% of the benefits then accrued to members (based on past service but allowing for future increases in salaries). The actuarial surplus is being spread over the average remaining service lives of present scheme members and it is to be eliminated by a period of reduced contributions.

An amount of £6,126,000 (1993: £5,277,000) is included in "Prepayments and accrued income" which represents accumulated contributions in excess of amounts charged to the profit and loss account.

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## 7 Tax on profit on ordinary activities

	1994 £000	1993 £000
United Kingdom corporation tax at 33%	11,926	11,431
Relief for double taxation	(2,032)	(1,364)
	<u>9,894</u>	<u>10,067</u>
Tax credit on franked investment income	44	140
Transferred from deferred taxation liability (see note 24)	(2,499)	(463)
Transferred from deferred taxation asset (see note 25)	(120)	(307)
Overseas taxes	3,131	3,510
Adjustment in respect of prior years	(677)	(380)
	<u>9,773</u>	<u>12,567</u>
Share of associated undertakings' taxation	<u>2,430</u>	<u>3,100</u>

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## NOTES ON THE ACCOUNTS

**8 Dividends**

	1994	1993	1994	1993	1994	1993
	Swiss Francs per share		pence per share		£000	£000
Non-equity dividend						
Interim Swiss Franc dividend	4.3	2.5	–	–	2,026	1,158
Equity dividends						
Interim ordinary dividends	–	–	49.8	43.5	12,600	11,000
					<b>14,626</b>	<b>12,158</b>

It is intended that a further dividend in respect of the year ended 31 December 1994, the amount of which has not yet been determined, will be paid on 29 December 1995.

**9 Assets and liabilities denominated by currency**

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Denominated in sterling	1,749,834	1,211,209	1,602,451	1,407,083
Denominated in currencies other than sterling	520,714	299,309	620,628	433,684
Total	<b>2,270,548</b>	<b>1,510,518</b>	<b>2,223,079</b>	<b>1,840,767</b>

**10 Treasury bills and other eligible bills**

	Group 1994		Company 1994		Group 1993		Company 1993	
	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000
Investment securities								
– treasury bills and similar securities	19,063	18,837	19,063	18,837	26,004	26,586	26,004	26,586
Other securities								
– treasury bills and similar securities	–	–	–	–	5,091	5,091	5,091	5,091
	<b>19,063</b>	<b>18,837</b>	<b>19,063</b>	<b>18,837</b>	<b>31,095</b>	<b>31,677</b>	<b>31,095</b>	<b>31,677</b>

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Amounts include				
– unamortised discounts and premiums on investment securities		<b>1,063</b>	<b>1,063</b>	<b>3,004</b>

	Cost £000	Discounts and premiums £000	Carrying value £000
Investment securities			
Group and company			
At 1 January 1994	23,000	3,004	26,004
Disposals	(5,000)	(937)	(5,937)
Amortisation of discounts and premiums	–	(1,004)	(1,004)
At 31 December 1994	<b>18,000</b>	<b>1,063</b>	<b>19,063</b>

## 11 Loans and advances to banks

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Repayable on demand	13,290	40	198,018	218,757
Other loans and advances				
Remaining maturity				
– 1 year or less but over 3 months	70,813	47,993	38,606	23,225
– 3 months or less	679,735	446,446	548,479	287,988
	<b>763,838</b>	<b>494,479</b>	<b>785,103</b>	<b>529,970</b>

## 12 Loans and advances to customers

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Remaining maturity				
– over 5 years	14,784 <sup>*1</sup>	12,401 <sup>*1</sup>	10,470 <sup>*1</sup>	9,818 <sup>*1</sup>
– 5 years or less but over 1 year	20,342 <sup>*1</sup>	28,218 <sup>*1</sup>	73,306 <sup>*1</sup>	44,128 <sup>*1</sup>
– 1 year or less but over 3 months	66,821	64,441	114,048	101,208
– 3 months or less	278,747 <sup>*2</sup>	319,969 <sup>*2</sup>	527,334 <sup>*2</sup>	620,799 <sup>*2</sup>
Specific bad and doubtful debt provisions	(1,762) <sup>*3</sup>	–	(2,317)	–
	<b>378,932</b>	<b>425,029</b>	<b>722,841</b>	<b>775,953</b>
Of which				
Repayable on demand	<b>7,225</b>	<b>3,074</b>	<b>8,426</b>	<b>111,540</b>
Repayable at short notice	<b>24,870</b>	<b>24,870</b>	<b>439,764</b>	<b>439,664</b>
Amounts include			Company 1994 £000	Company 1993 £000
Due from subsidiary undertakings				
– unsubordinated			<b>125,883</b>	<b>528,565</b>
Due from associated undertakings				
– unsubordinated			<b>12,525</b>	<b>13,504</b>
Due from other undertaking in which the company has a participating interest				
– unsubordinated			<b>20,959</b>	<b>9,899</b>

<sup>\*1</sup> The above amounts include £8,767,000 (1993: £28,044,000) in respect of loans guaranteed by the Export Credits Guarantee Department.

<sup>\*2</sup> The above amounts include £105,000,000 (1993: £426,432,000) of secured lending to Bank of England approved Stock Exchange Money Brokers.

<sup>\*3</sup> The income from the release of provisions for bad and doubtful debts is included within other operating income.

Group loans and advances to customers include £17,654,000 (1993: £36,210,000) net investment in finance leases of which £10,850,000 (1993: £24,848,000) is due after more than one year.

## NOTES ON THE ACCOUNTS

**13 Debt securities**

	Group 1994		Company 1994		Group 1993		Company 1993	
	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000
Issued by public bodies								
Investment securities								
- government securities	21,768	21,778	21,768	21,778	24,679	24,945	24,679	24,945
Other securities								
- government securities	-	-	-	-	53,311	53,311	53,311	53,311
	<u>21,768</u>	<u>21,778</u>	<u>21,768</u>	<u>21,778</u>	<u>77,990</u>	<u>78,256</u>	<u>77,990</u>	<u>78,256</u>
Issued by other issuers								
Investment securities								
- bank and building society certificates of deposit	602,992	602,873	228,992	228,873	118,500	118,546	118,500	118,546
- other debt securities	277,127	277,123	211,047	211,223	288,125	288,073	238,641	238,616
Other securities								
- bank and building society certificates of deposit	-	-	-	-	31,691	31,691	-	-
- other debt securities	12,765	12,765	12,765	12,765	-	-	-	-
	<u>892,884</u>	<u>892,761</u>	<u>452,804</u>	<u>452,861</u>	<u>438,316</u>	<u>438,310</u>	<u>357,141</u>	<u>357,162</u>
	<b><u>914,652</u></b>	<b><u>914,539</u></b>	<b><u>474,572</u></b>	<b><u>474,639</u></b>	<b><u>516,306</u></b>	<b><u>516,566</u></b>	<b><u>435,131</u></b>	<b><u>435,418</u></b>
Listed on a recognised UK exchange	179,814	179,694	113,734	113,794	107,885	107,824	103,877	103,816
Listed elsewhere	82,066	82,075	82,066	82,075	154,424	155,260	154,424	155,260
Unlisted	652,772	652,770	278,772	278,770	253,997	253,482	176,830	176,342
	<u>914,652</u>	<u>914,539</u>	<u>474,572</u>	<u>474,639</u>	<u>516,306</u>	<u>516,566</u>	<u>435,131</u>	<u>435,418</u>
Due within one year	722,168		339,949		412,128		334,296	
Due one year and over	192,484		134,623		104,178		100,835	
	<u>914,652</u>		<u>474,572</u>		<u>516,306</u>		<u>435,131</u>	
Unamortised discounts and premiums on investment securities	<u>1,023</u>		<u>465</u>		<u>2,413</u>		<u>1,786</u>	

### 13 Debt securities (continued)

	Cost £000	Discounts and Premiums £000	Provisions made £000	Carrying value £000
Group				
At 1 January 1994	513,986	2,413	(93)	516,306
Exchange adjustments	2,079	180	3	2,262
Acquisitions	4,834,150	3,398	-	4,837,548
Disposals	(4,436,586)	(1,615)	90	(4,438,111)
Amortisation of discounts and premiums	-	(3,353)	-	(3,353)
At 31 December 1994	<b>913,629</b>	<b>1,023</b>	<b>-</b>	<b>914,652</b>
Company				
At 1 January 1994	433,438	1,786	(93)	435,131
Exchange adjustments	2,662	48	3	2,713
Acquisitions	2,660,359	898	-	2,661,257
Disposals	(2,622,352)	(944)	90	(2,623,206)
Amortisation of discounts and premiums	-	(1,323)	-	(1,323)
At 31 December 1994	<b>474,107</b>	<b>465</b>	<b>-</b>	<b>474,572</b>

### 14 Equity shares

	Group 1994		Company 1994		Group 1993		Company 1993	
	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000
Investment securities								
- unlisted	9,056	9,056	6,200	6,200	6,699	6,699	5,188	5,188
- listed on a non-UK exchange	1,279	1,279	1,304	1,304	-	-	-	-
	<b>10,335</b>	<b>10,335</b>	<b>7,504</b>	<b>7,504</b>	<b>6,699</b>	<b>6,699</b>	<b>5,188</b>	<b>5,188</b>
				Cost £000		Provisions £000		Carrying value £000
Group								
At 1 January 1994				12,030		(5,331)		6,699
Acquisitions				4,826		-		4,826
Disposals				(1,272)		-		(1,272)
Provisions released				-		82		82
At 31 December 1994				<b>15,584</b>		<b>(5,249)</b>		<b>10,335</b>
Company								
At 1 January 1994				10,517		(5,329)		5,188
Acquisitions				3,435		-		3,435
Disposals				(1,270)		-		(1,270)
Provisions released				-		151		151
At 31 December 1994				<b>12,682</b>		<b>(5,178)</b>		<b>7,504</b>

## NOTES ON THE ACCOUNTS

**15 Interests in associated undertakings**

	Cost £000	Carrying value £000
Group		
At 1 January 1994	61,595	61,157
Acquisitions	40	40
Share of profits	—	3,790
Distributions made	—	(5,878)
Exchange difference	—	3,924
At 31 December 1994	<b>61,635</b>	<b>63,033</b>
Company		
At 1 January 1994	646	646
Reduction in investment	(221)	(221)
At 31 December 1994	<b>425</b>	<b>425</b>

The principal associated companies are Les Fils Dreyfus & Cie S.A., Banquiers (30% equity interest), a private bank incorporated in Basle, Switzerland; Creditcapital Finance Corporation Limited (40% equity interest), a private merchant bank incorporated in Bombay, India; and LDC Limited (33% equity interest), an investment company incorporated in Guernsey.

**16 Other participating interests**

The company has an interest of 54% in the capital of Moorfields Debt Trading ("MDT") arising out of a partnership agreement. The movement in the company balance sheet is due to exchange differences which have been taken to the company's profit and loss account. MDT is an unlisted joint venture based at 21 Moorfields, London EC2P 2HT.

**17 Shares in group undertakings**

	Cost £000	Carrying value £000
At 1 January 1994	781	781
Increased investment in group undertakings	2,176	2,176
At 31 December 1994	<b>2,957</b>	<b>2,957</b>

Listed below are those undertakings which, in the opinion of the directors, principally affected the consolidated profits of the group for the year or the amount of the assets at 31 December 1994. Those undertakings are engaged in the business of banking, securities dealing, leasing, investment holding and management, and executorship and trusteeship. Each of those companies which is incorporated in Great Britain is registered in England and Wales and for all of the companies shown below, their issued share capital comprises equity shares.

**(a) Subsidiary undertakings wholly owned by the company**

	<i>Country of incorporation</i>
Lazard Equipment Leasing Ltd	Great Britain
Lazard Leasing Ltd	Great Britain
Lazard Second Leasing Ltd	Great Britain

## 17 Shares in group undertakings (continued)

<b>(b) Subsidiary undertakings wholly owned by other subsidiary undertakings</b>	<i>Country of incorporation</i>
Lazard Investors Ltd	Great Britain
Lazard Money Broking Ltd	Great Britain
Lazard Unit Trust Managers Ltd	Great Britain
Lazard Venture Funds (Managers) Ltd	Great Britain
Lazard Brothers & Co., (Guernsey) Ltd	Guernsey
Lazard Fund Managers (Channel Islands) Ltd	Guernsey
Lazard Brothers & Co., (Jersey) Ltd	Jersey
Lazard Investors (Channel Islands) Ltd	Jersey
Lazard Trustee Company (Channel Islands) Ltd	Jersey

## 18 Tangible fixed assets

	Leases of 50 years or more unexpired on Land and Buildings held for own use £000	Motor Vehicles Computers and Other Equipment £000	Total £000
<b>Group</b>			
Cost or valuation			
At 1 January 1994	1,054	12,223	13,277
Additions	—	2,780	2,780
Disposals	—	(3,382)	(3,382)
At 31 December 1994	<b>1,054</b>	<b>11,621</b>	<b>12,675</b>
Accumulated depreciation			
At 1 January 1994	(776)	(9,272)	(10,048)
Disposals	—	3,122	3,122
Charge for year	(38)	(1,488)	(1,526)
At 31 December 1994	<b>(814)</b>	<b>(7,638)</b>	<b>(8,452)</b>
Net book value at 31 December 1994	<b>240</b>	<b>3,983</b>	<b>4,223</b>
Net book value at 31 December 1993	<b>278</b>	<b>2,951</b>	<b>3,229</b>
<b>Company</b>			
Cost or valuation			
At 1 January 1994	206	8,652	8,858
Additions	—	2,531	2,531
Disposals	—	(2,996)	(2,996)
At 31 December 1994	<b>206</b>	<b>8,187</b>	<b>8,393</b>

## NOTES ON THE ACCOUNTS

**18 Tangible fixed assets (continued)**

	Leases of 50 years or more unexpired on Land and Buildings held for own use £000	Motor Vehicles Computers and Other Equipment £000	Total £000
Accumulated depreciation			
At 1 January 1994	—	(6,118)	(6,118)
Disposals	—	2,764	2,764
Charge for the year	—	(1,110)	(1,110)
At 31 December 1994	<u>—</u>	<u>(4,464)</u>	<u>(4,464)</u>
Net book value at 31 December 1994	<u>206</u>	<u>3,723</u>	<u>3,929</u>
Net book value at 31 December 1993	<u>206</u>	<u>2,534</u>	<u>2,740</u>

**19 Other assets**

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Other securities	21,598	1,693	22,358	3,133
Other	60,130	46,369	38,155	18,148
	<u>81,728</u>	<u>48,062</u>	<u>60,513</u>	<u>21,281</u>

**20 Deposits by banks**

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
With agreed maturity dates or periods of notice, by remaining maturity				
– 5 years or less but over 1 year	—	2,449	—	—
– 1 year or less but over 3 months	10,780	5,985	30,110	28,228
– 3 months or less but not repayable on demand	326,154	334,085	195,552	127,285
	<u>336,934</u>	<u>342,519</u>	<u>225,662</u>	<u>155,513</u>
Repayable on demand	2,559	2,294	278,498	329,142
	<u>339,493</u>	<u>344,813</u>	<u>504,160</u>	<u>484,655</u>
Amounts include				
Due to subsidiary undertakings		<u>47,005</u>		<u>51,386</u>

## 21 Customer accounts

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
With agreed maturity dates or periods of notice, by remaining maturity				
- 5 years or less but over 1 year	-	-	975	975
- 1 year or less but over 3 months	30,559	23,997	15,173	11,615
- 3 months or less but not repayable on demand	852,479	663,130	786,074	582,410
Repayable on demand	883,038	687,127	802,222	595,000
	301,358	159,652	506,864	437,174
	<b>1,184,396</b>	<b>846,779</b>	<b>1,309,086</b>	<b>1,032,174</b>
Amounts include Due to subsidiary undertakings		<b>85,840</b>		<b>664</b>

## 22 Debt securities in issue

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Certificates of deposit Due within one year	<b>127,879</b>	<b>127,879</b>	<b>157,642</b>	<b>157,642</b>

## 23 Other liabilities

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Stock Exchange money broking positions (see below)	336,748	-	702*	-
Taxation	13,798	19	8,591	-
Other	52,904	32,561	41,938	8,120
	<b>403,450</b>	<b>32,580</b>	<b>51,231</b>	<b>8,120</b>

Lazard Money Broking Limited ("LMB"), a wholly owned subsidiary, has been consolidated by aggregating its assets and liabilities with those of the group.

LMB is a Stock Exchange Money Broker, regulated by the Bank of England and the Securities and Futures Authority and is a member of the London Stock Exchange. LMB provides a service to authorised market counterparties, mainly large institutional investors and market makers, in the form of loans of both cash and securities. Cash lending provides counterparties with loans at competitive rates. Securities, or stock, lending allows institutional investors to increase the performance of their portfolios by charging interest on the stock lent and provides liquidity to the market makers.

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 1994, the gross value of stock lent and borrowed was £3,820,000,000 (1993: £1,605,000,000).



## NOTES ON THE ACCOUNTS

**23 Other liabilities (continued)**

As indicated above, all loans are individually collateralised and LMB has the right to set-off the collateral against the loans as necessary. The rights of set-off are specified in Market Standard Contracts. In these financial statements LMB's loans have been off-set against the underlying collateral. The excess of the loans made to, or received from, counterparties is disclosed as Stock Exchange Money Broking positions within the other liabilities figure. The gross amounts of the loans are disclosed below:

	1994 £000	1993 £000
Receivable from ultimate parent undertaking	84,174	-
Receivable from Stock Exchange market makers	1,658,638	1,384,313
Receivable from banks	194,329	366,191
Payable to Stock Exchange market makers	(1,113,462)	(188,712)
Payable to banks	(1,105,427)	(1,215,531)
Payable to ultimate parent undertaking	(55,000)	(344,364)
Excess cash loans (from)/to counterparties	<b>(336,748)</b>	<b>1,897*</b>

\* The 1993 comparative figures for excess cash loans are restated above but the effect of the reclassification is not material enough to warrant a restatement of the Lazard Brothers & Co., Limited consolidated balance sheet.

**24 Deferred taxation**

	Group 1994 £000	Company 1994 £000	Group 1993 £000	Company 1993 £000
Provision for deferred taxation				
- capital allowances	1,881	(752)	3,790	(810)
- other timing differences	705	823	1,295	826
	<b>2,586</b>	<b>71</b>	<b>5,085</b>	<b>16</b>

The provision for UK deferred taxation relating to capital allowances has been made at 33% being the rate of corporation tax at which the liability is expected to crystallise. The deferred taxation asset referred to in note 25 has been set against the liability for the provision of post-retirement medical benefits.

	Group £000	Company £000
Provision at 1 January 1994	5,085	16
Transfer (to)/from profit and loss account (see note 7)	(2,499)	55
Provision at 31 December 1994	<b>2,586</b>	<b>71</b>

## 25 Other provisions for liabilities and charges

	Group £000	Company £000
Net provision at 1 January 1994	6,727	6,322
Movement in provision	265	225
Net provision at 31 December 1994	<b>6,992</b>	<b>6,547</b>

The Group has an unfunded scheme for post-retirement medical benefits. As part of this scheme, defined medical benefits are currently being provided, at the Group's discretion, to certain retired employees. The costs of private medical insurance are met for these pensioners, their spouses and eligible dependants. Currently 216 pensioners receive these benefits and 601 employees could, at the Group's discretion, be eligible to receive them when they reach retirement.

An actuarial estimate of the accrued liability in respect of post-retirement medical benefits has been made as at 1 January 1994, on the basis of a gross interest rate of 7.5% per annum and medical benefit cost inflation of 11% per annum for 5 years falling linearly over a further 5 years to 7% per annum and at 7% per annum thereafter.

As at 1 January 1994, on these assumptions, the Group's accrued liability amounted to £9,942,000 (1993: £8,982,000). The directors expect that the actual cost of meeting liabilities for medical benefits when paid will attract tax relief at an average rate of 32%. The liability at 1 January 1994 amounted to £6,727,000 (1993: £6,074,000) net of deferred tax of £3,336,000 (1993: £3,215,000). The increase in the deferred tax asset of £120,000 has been transferred to the profit and loss account (see note 7).

The charge to the profit and loss account in 1994 in respect of benefits accruing during the year has been calculated using the projected unit method. In addition to the cost of benefits accruing, interest on the liabilities accrued at the start of the year has also been charged. Prior to making allowance for deferred tax, the charge to the profit and loss account for the Group for 1994 amounts to £569,000 (1993: £1,165,000).

Medical expenses amounting to £183,000 (1993: £205,000), have been charged against the provision. At 31 December 1994, the provision for medical expenses amounted to £10,328,000 (1993: £9,942,000), £6,992,000 (1993: £6,727,000) after allowance for deferred tax.

## 26 Called up share capital

	1994 £000	1993 £000
Authorised		
28,750,000 (28,750,000) ordinary shares of £1 each	28,750	28,750
1,000,000 (1,000,000) shares of Sw Fr 1 each	408	408
5,000,000 (5,000,000) deferred shares of £1 each	5,000	5,000
	<b>34,158</b>	<b>34,158</b>
Called up, allotted and fully paid		
25,303,221 (25,303,221) ordinary shares of £1 each	25,303	25,303
1,000,000 (1,000,000) shares of Sw Fr 1 each	408	408
5,000,000 (5,000,000) deferred shares of £1 each	5,000	5,000
	<b>30,711</b>	<b>30,711</b>

The deferred shares do not confer the right to receive any dividend, nor the right to receive notice of, attend, or vote at any general meeting. The deferred shares 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 Swiss Franc shares entitle the holder to the right to a dividend not exceeding the net income of the company referable to the investment by Lazard Overseas Holdings Limited in a Swiss associated company. The Swiss Franc shares do not confer the right to receive notice of, attend or vote at any general meeting. The Swiss Franc shares confer the right on a winding up to participate in the assets of the company *pari passu* with the ordinary shares (on the basis of the exchange rate between Sterling and Swiss Francs prevailing on the date of winding up) provided that the maximum amount payable on the Swiss Franc shares shall be the amount paid up thereon, including the amount credited to the Swiss Franc share premium account. The provisions of the company's Articles of Association relating to the transfer of shares do not apply to the Swiss Franc shares.

## NOTES ON THE ACCOUNTS

**26 Called up share capital (continued)**

No shares were purchased and cancelled by the company during the year or during the previous year.

During the year, options over a total of 141,536 ordinary shares of £1 each were granted with an exercise price of 480p. They are exercisable between 2000 and 2002. No such options were granted during the previous year.

The following options over ordinary shares of £1 each were outstanding at 31 December:

Year of grant	Exercise Prices (p)	1994	1993
1987	472.5	5,682	7,458
1989	517.5	10,750	27,220
1990	640	44,684	50,616
1991	860	23,707	28,481
1992	320	285,994	320,460
1994	480	141,536	—
		<b>512,353</b>	<b>434,235</b>

They are exercisable during various periods between 1995 and 2002.

Details of other movements in issued share capital are disclosed in the Directors' Report.

**27 Reserves**

	Group		Company	
	Share Premium	Profit and loss account	Share Premium	Profit and loss account
	£000	£000	£000	£000
As at 1 January 1994	55,017	77,432	50,180	47,560
Retained profit for the year	—	6,366	—	355
Revaluation of Swiss Franc share premium	3,077	—	—	—
As at 31 December 1994	<b>58,094</b>	<b>83,798</b>	<b>50,180</b>	<b>47,915</b>

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company has not been presented separately.

**28 Shareholders' funds****(i) Reconciliation of group shareholders' funds**

£000

Profit attributable to shareholders	20,992
Dividends	(14,626)
	6,366
Revaluation of Swiss Franc share premium	3,077
Net addition to shareholders' funds	9,443
Opening shareholders' funds (see notes 26 and 27)	163,160
Closing shareholders' funds	<b>172,603</b>

**(ii) Analysis of non-equity interests**

	Group 1994	Company 1994	Group 1993	Company 1993
	£000	£000	£000	£000
Deferred shares of £1 each	5,000	5,000	5,000	5,000
Swiss Franc shares of SFr 1 each	47,914	40,000	44,837	40,000
	<b>52,914</b>	<b>45,000</b>	<b>49,837</b>	<b>45,000</b>

## 29 Memorandum items, foreign exchange and interest rate contracts in respect of the Consolidated Balance Sheet

The tables below give, for the group, the nominal principal amounts and risk weighted amounts of off-balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy.

	1994			1993	
	Contract amount £m	Risk weight %	Risk weighted amount £m	Contract amount £m	Risk weighted amount £m
Group					
<b>Contingent liabilities</b>					
Acceptances and endorsements	72	70	50	81	52
Guarantees and assets pledged as collateral security					
– guarantees	31	19	6	34	9
	<u>103</u>		<u>56</u>	<u>115</u>	<u>61</u>
<b>Commitments</b>					
Sales and options to resell transactions	–	–	–	19	4
Forward asset purchases and forward deposits placed	13	100	13	28	11
Undrawn formal standby facilities, credit lines and other commitments to lend					
– 1 year and over	20	4	1	17	–
– less than 1 year	1	–	–	3	–
	<u>34</u>		<u>14</u>	<u>67</u>	<u>15</u>
	<u>137</u>		<u>70</u>	<u>182</u>	<u>76</u>
Exchange rate contracts					
– trading	448	1	5	709	10
Interest rate contracts					
– hedging	1,075	–	–	113	–
– trading	109	–	–	291	–
	<u>1,632</u>		<u>5</u>	<u>1,113</u>	<u>10</u>
Replacement cost					
– exchange rate contracts			9		10
– interest rate contracts			–		1
			<u>9</u>		<u>11</u>

## NOTES ON THE ACCOUNTS

### 30 Memorandum items, foreign exchange and interest rate contracts in respect of the Company Balance Sheet

The tables below give, for the company, the nominal principal amounts and risk weighted amounts of off-balance sheet transactions. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The risk weighted amounts have been calculated in accordance with the Bank of England's guidelines implementing the Basle agreement on capital adequacy.

	1994			1993	
	Contract amount £m	Risk weight %	Risk weighted amount £m	Contract amount £m	Risk weighted amount £m
Company					
<b>Contingent liabilities</b>					
Acceptances and endorsements	72	70	50	81	52
Guarantees and assets pledged as collateral security					
– guarantees	11	27	3	6	5
	<u>83</u>		<u>53</u>	<u>87</u>	<u>57</u>
<b>Commitments</b>					
Sales and options to resell transactions	–	–	–	19	4
Forward asset purchases and forward deposits placed	–	–	–	28	11
Undrawn formal standby facilities, credit lines and other commitments to lend					
– 1 year and over	11	3	–	10	–
– less than 1 year	1	–	–	3	–
	<u>12</u>		<u>–</u>	<u>60</u>	<u>15</u>
	<u>95</u>		<u>53</u>	<u>147</u>	<u>72</u>
Exchange rate contracts					
– trading	448	1	5	702	10
Interest rate contracts					
– hedging	1,075	–	–	113	–
– trading	109	–	–	291	–
	<u>1,632</u>		<u>5</u>	<u>1,106</u>	<u>10</u>
Replacement cost					
– exchange rate contracts			9		10
– interest rate contracts			–		1
			<u>9</u>		<u>11</u>

### 31 Consolidated cash flow statement

	1994 £000	1993 £000	Movement £000
<b>(i) Analysis of cash equivalents as shown in the balance sheet</b>			
Cash and balance at central bank	35	52	(17)
Treasury bills	19,063	31,095	(12,032)
Certificates of deposit	602,992	150,191	452,801
Loans and advances to banks at call and short notice	13,290	198,018	(184,728)
Deposits by banks at call and short notice	(2,559)	(278,498)	275,939
	<b>632,821</b>	<b>100,858</b>	<b>531,963</b>
<b>(ii) Reconciliation of group operating profit to net cash inflow/(outflow) from operating activities</b>			
Group operating profit before taxation	30,765	40,422	
Decrease in prepayments and accrued income	1,375	3,455	
Increase in accruals and deferred income	7,161	9,887	
Profit on sale of fixed assets	(325)	(290)	
Depreciation of fixed assets	1,526	1,836	
Increase in other assets	(21,902)	(24,966)	
Increase/(decrease) in other liabilities	347,012	(36,896)	
Income from associates	(5,202)	(13,350)	
Profit on sale of equities	(142)	-	
Release of provision against equity valuation	(82)	(93)	
Net cash inflow/(outflow) from trading activities	360,186	(19,995)	
Net decrease/(increase) in loans and advances to customers	343,909	(183,262)	
Net (decrease) in customer accounts	(124,690)	(19,253)	
(Increase)/decrease in other loans and advances to banks	(163,463)	64,337	
Increase in deposits by banks	111,272	56,479	
Decrease/(increase) in other securities	54,455	(167,879)	
Decrease in debt securities	(29,763)	(19,449)	
Other movements	265	217	
Net cash inflow/(outflow) from operating activities	<b>552,171</b>	<b>(288,805)</b>	

### 32 Segmental information

The group has one main activity, merchant banking. No geographical analysis is given, as more than 90% of the group's activities are within the UK and Channel Islands.

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