

162175

Lazard Brothers & Co., Limited

ANNUAL REPORT 1995



CONTENTS

2	Directors and officers
3-4	Directors' report
5	Directors' interests
6	Report of the auditors
7	Consolidated profit and loss account
8	Consolidated balance sheet
9	Balance sheet
10	Consolidated cash flow statement
11-31	Notes on the accounts
32	The Lazard Houses
33	Overseas subsidiaries and affiliates

DIRECTORS AND OFFICERS

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

T Cross Brown*

D S Cummings

J D S Dawson

J S Dear*

H E Durey

*Managing

Assistant directors

Hilary C B Britton

P E Brock

T A Civval

Miranda G Corti

N M A Costain

M J Crouch

M J Elger

Stephanie A H Field

A D E Gardner

P R Gilliland

J R Green

L A W Evans*

C C Fisher

M H Gidney

P A Gismondi

J T B Goodwin

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 Melliush

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*

J R Stone

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

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 Brothers Asset Management Limited

Chairman

L A W Evans

Chief executive

T Cross Brown

Directors

R K Berrill

A C Calder

S R J Carter

Beth A B Cazalet

V A Cazalet

I B Donald

Ann Erskine

D Fuschillo

M P Goodall

S M Hazlerigg

C B Melliush

N S Parkes

R A Parry

G Peat

S R Putt

T G Russell

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

The directors submit to the members their annual report and the audited accounts for the year ended 31 December 1995. 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 London Stock Exchange Limited. It is regulated by The Securities and Futures Authority. Certain subsidiaries are also regulated by the appropriate self-regulating organisations.

Review of the year

A very good year for the company owed much to a vintage performance in corporate finance. The year also saw the formation of Lazard Capital Markets, a new partnership between the three Lazard houses to develop capital markets businesses outside the United States.

Post balance sheet event

On 2 January 1996, in response to the introduction of the open Gilt Repo market at the start of 1996, the assets and liabilities of Lazard Money Broking Limited were transferred to Lazard Brothers & Co., Limited and the merger of the banking division and Lazard Money Broking Limited to form Lazard Money Markets, announced in September 1995, became effective.

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	2,479
472.5	5,327
480	216
640	675
	<u>8,697</u>

Details of all options outstanding are shown in note 25 to the accounts.

Profit, dividends and reserves

The profit of the group, after taxation, amounted to £36,534,000. A second interim dividend of 15.8082641p per ordinary share in respect of the year ended 31 December 1994 was paid on 29 December 1995. Interim dividends of 63.2330564p per ordinary share of £1 and of Sw Fr 4.44237358 per Swiss Franc share of Sw Fr 1 in respect of the year ended 31 December 1995 were paid on 29 December 1995 and 2 May 1995 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 31 December 1996. No final dividend is proposed on the Swiss Franc shares. The dividends paid totalled £22,421,000 which leaves a retained profit of £14,113,000.

Directors and their interests

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

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 were appointed Executive Directors on 1 January 1995, J W Sillem on 1 February 1995, J R Stone on 6 July 1995 and J T B Goodwin on 1 January 1996. M C Francis and A M Coveney resigned as Executive Directors on 11 January 1995 and 29 September 1995 respectively.

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 confirm that suitable accounting

DIRECTORS' REPORT

continued

policies have been used and applied consistently, and that they have made 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 and they are also 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 637. Of these 439 were directly engaged in merchant banking activities and 198 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 and bonus schemes, including a Profit-Related Pay 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 556 (out of a total number of employees other than directors of 585) and the number of participants in the Save-As-You-Earn Share Option Scheme at the end of the year was 214.

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 £210,000 in 1995 and a contribution of £15,000 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

21 February 1996

DIRECTORS' INTERESTS

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.

M A David-Weill had interests in 750,000 Lazard Brothers & Co., Limited deferred shares at 1 January 1995 and at 31 December 1995. Interests in the ordinary shares of the company at 1 January 1995 and 31 December 1995 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 24,409 thereof at 1 January 1995 and 33,106 thereof at 31 December 1995 and all of the issued Swiss Franc shares of the company at both dates).

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

	31 December 1995	1 January 1995
S L S Adde	3,593	3,593
M A P Agius	4,780	4,780
† D J L F Anderson	1,889	2,339
M C Baughan	5,859	5,859
† A L Blakesley	5,859	5,859
J R Collins	5,859	5,859
† T Cross Brown	4,952	4,952
D S Cummings	2,593	3,943
† M A David-Weill	—	—
J S Dear	5,405	5,405
H E Durey	4,960	4,960
L A W Evans	4,062	4,062
C C Fisher	3,444	4,074
P A Gismondi	1,625	1,625
† J-C Haas	—	—
Frances A Heaton	—	900
C N C Hill	811	811
P G Hock	3,443	3,443
P A Jameson	5,370	5,370
A D Johnston	5,405	5,405
J A Kitchen	1,825	2,275
N T Lukes	—	1,350
M F McGonigle	3,593	3,593
D J McMillan	4,015	4,465
† C B Melluish	4,002	4,985
† J J Mora del Río	—	—
† J F Nelson	—	—
C M Packshaw	3,018	3,468
† N S Parkes	2,343	2,343
S C C Pryce	436	436
J P H S Scott	2,358	2,808
† J W Sillem	—	—
† D J Supino	—	—
Hon P N N Turner	5,859	5,859
† D R Twining	—	—
† D J Verey	24,716**	21,032*
† A E Warnbold	—	—
J M A Wilford	5,859	5,859
K M H Wilson	—	900
J J Winterbotham	4,687	4,687

x 1,777 of this interest related to shares, following the exercise of the relevant options on 1 February 1995 (date of appointment)

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

** 20,248 of this interest related to shares, following the exercise of the relevant options and further purchases

REPORT OF THE AUDITORS

to the members of Lazard Brothers & Co., Limited

We have audited the financial statements on pages 7 to 31.

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 of the group at 31 December 1995 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

21 February 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

Note	1995 £000	1994 £000
Interest receivable:		
– interest receivable and similar income from debt securities and other fixed income securities	36,105	41,473
– other interest receivable and similar income	82,854	61,604
Less: Interest payable	(102,211)	(89,701)
Net interest income	16,748	13,376
2 Dividend income	149	369
Income from associated undertakings	11,990	5,202
Fees and commissions receivable	96,649	69,090
Less: Fees and commissions payable	(2,754)	(1,414)
Dealing profits	29,805	20,781
Other operating income	17	1,766
Operating income	152,604	109,170
3 Administrative expenses	(102,041)	(76,961)
17 Depreciation and amortisation	(1,973)	(1,526)
13 Amounts written back to fixed asset securities	429	82
4 Profit on ordinary activities before tax	49,019	30,765
7 Tax on profit on ordinary activities	(12,485)	(9,773)
Profit on ordinary activities after tax	36,534	20,992
8 Equity and non-equity dividends in respect of the year ended		
– 31 December 1993	–	(3,600)
– 31 December 1994	(4,000)	(11,026)
– 31 December 1995	(18,421)	–
26 Retained profit for the year	14,113	6,366

No gains or losses have been recognised in these financial statements other than those reflected in the Consolidated 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 profit for the year stated above and their historical cost equivalents.

A reconciliation of the movement in shareholders' funds is shown in note 27. All businesses are regarded as continuing.

CONSOLIDATED BALANCE SHEET

at 31 December 1995

Note		1995 £000	1994 £000
	Assets		
	Cash and balance at central bank	76	35
9	Treasury bills and other eligible bills	21,538	19,063
10	Loans and advances to banks	664,196	763,838
11	Loans and advances to customers	240,668	378,932
12	Debt securities and other fixed income securities	864,520	914,652
13	Equity shares	11,856	10,335
14	Interests in associated undertakings	83,885	63,033
17	Tangible fixed assets	5,467	4,223
18	Other assets	88,259	81,728
	Prepayments and accrued income	61,200	34,709
	Total assets	2,041,665	2,270,548
	Liabilities		
19	Deposits by banks	513,694	339,493
20	Customer accounts	808,275	1,184,396
21	Debt securities in issue	213,307	127,879
22	Other liabilities	265,313	403,450
	Accruals and deferred income	35,657	33,149
	Provisions for liabilities and charges		
23	– deferred taxation	336	2,586
24	– post-retirement medical benefit	11,211	6,992
		<u>1,847,793</u>	<u>2,097,945</u>
25	Called up share capital	30,711	30,711
26	Share premium account	65,250	58,094
26	Profit and loss account	97,911	83,798
27	Total shareholders' funds	193,872	172,603
	– Equity interests	133,802	119,689
	– Non-equity interests	60,070	52,914
	Total liabilities	2,041,665	2,270,548
28	Memorandum items		
	Contingent liabilities		
	– acceptances and endorsements	52,000	72,000
	– guarantees and assets pledged as collateral security	21,750	31,158
		<u>73,750</u>	<u>103,158</u>
	Commitments	22,082	34,341
		<u>95,832</u>	<u>137,499</u>

BALANCE SHEET

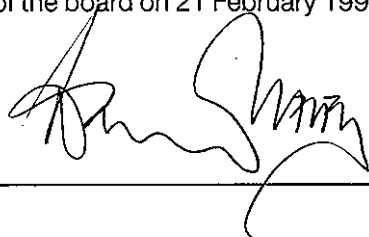
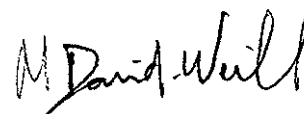
at 31 December 1995

Note		1995 £000	1994 £000
	Assets		
	Cash and balance at central bank	76	35
9	Treasury bills and other eligible bills	21,538	19,063
10	Loans and advances to banks	489,773	494,479
11	Loans and advances to customers	275,309	425,029
12	Debt securities and other fixed income securities	601,214	474,572
13	Equity shares	8,672	7,504
14	Interests in associated undertakings	621	425
15	Other participating interests	980	970
16	Shares in group undertakings	3,457	2,957
17	Tangible fixed assets	4,893	3,929
18	Other assets	27,706	48,062
	Prepayments and accrued income	56,409	33,493
	Total assets	1,490,648	1,510,518
	Liabilities		
19	Deposits by banks	558,788	344,813
20	Customer accounts	518,230	846,779
21	Debt securities in issue	213,307	127,879
22	Other liabilities	38,647	32,580
	Accruals and deferred income	13,360	23,043
	Provisions for liabilities and charges		
23	– deferred taxation	66	71
24	– post-retirement medical benefit	10,599	6,547
		1,352,997	1,381,712
25	Called up share capital	30,711	30,711
26	Share premium account	50,180	50,180
26	Profit and loss account	56,760	47,915
	Total shareholders' funds	137,651	128,806
	– Equity interests	92,651	83,806
	– Non-equity interests	45,000	45,000
	Total liabilities	1,490,648	1,510,518
29	Memorandum items		
	Contingent liabilities		
	– acceptances and endorsements	52,000	72,000
	– guarantees and assets pledged as collateral security	10,859	10,891
		62,859	82,891
	Commitments	6,542	12,395
		69,401	95,286

Signed on behalf of the board on 21 February 1996

David J Verey**M David-Weill**

Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1995

Note		1995 £000	1994 £000
30	Net cash (outflow)/inflow from operating activities	(35,714)	552,171
	Returns on investments and servicing of finance		
	– dividends received from associated undertakings	5,289	5,878
	– ordinary dividends paid	(22,421)	(14,626)
	Net cash (outflows) from returns on investments and servicing of finance	(17,132)	(8,748)
	Taxation		
	– United Kingdom corporation tax paid	(6,571)	(4,250)
	– overseas tax paid	(2,205)	(1,563)
	Total tax paid	(8,776)	(5,813)
	Investing activities		
	– acquisition of equities	(1,295)	(4,826)
	– sale of equities	693	1,414
	– acquisition of associated undertakings	(6,796)	(40)
	– purchase of tangible fixed assets	(3,576)	(2,780)
	– sale of tangible fixed assets	633	585
	Net cash (outflow) from investing activities	(10,341)	(5,647)
	Net cash (outflow)/inflow before financing	(71,963)	531,963
30	(Decrease)/increase in cash and cash equivalents	(71,963)	531,963

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.

NOTES ON 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 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.

(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 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 interest income arising from these charges is included in interest receivable and the corresponding expense of these business areas is included in interest payable.

2 Dividend income

	1995 £000	1994 £000
Income from equity shares	<u>149</u>	<u>369</u>

3 Administrative expenses

	1995 £000	1994 £000
Staff costs		
– wages and salaries	25,728	24,023
– social security costs	2,916	2,560
– other pension costs	4,266	4,132
Other administrative expenses	69,131	46,246
	102,041	76,961

Other administrative expenses include profit-related staff bonuses of £6,855,000 (1994: £3,280,000) and an amount of £22,700,000 (1994: £11,000,000) contributed to the Employee Benefit Trust. The Employee Benefit Trust is described further in note 5.

4 Profit on ordinary activities before tax

	1995 £000	1994 £000
This is stated after taking into account:		
(a) Income		
Profits less losses on securities dealing	334	169
Profits less losses on disposal of investment securities	156	381
Aggregate rentals receivable under finance leases less amortisation of leases	155	2,175
(b) Charges		
Auditors' remuneration – group	329	286
Auditors' remuneration – company	133	129
Auditors' remuneration for non-audit work – group	85	131
Rental charged on land and buildings held under operating leases – group	5,834	5,764
Rental charged on land and buildings held under operating leases – company	5,412	5,412

5 Directors and officers

(a) Emoluments

Directors' emoluments in respect of 1995, including their "partnership" share in revenue profits and pension scheme contributions, were £23,735,000 (1994: £17,011,000). Compensation paid for loss of office as Executive Directors was £150,000 (1994: £985,000). Aggregate contributions to pension schemes in respect of directors and past directors amounted to £1,433,000 (1994: £2,015,000).

The emoluments of the Chairman, who was also the highest paid director, during 1995 were £1,461,000 (1994: £809,000).

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 1995 totalled £22,700,000 (1994: £11,000,000). Amongst other payments, a "partnership" share was paid to directors out of the Trust during 1996 in respect of 1995 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:

	1995 Basic Remuneration	1995 "Partnership" share in revenue profits etc.	1995 Total Emoluments	1994 Total Emoluments
Nil - £5,000	3	5	1	2
£10,001 - £15,000	1	1	1	
£15,001 - £20,000	2	2	2	2
£20,001 - £25,000	1			1
£30,001 - £35,000				1
£35,001 - £40,000		1		
£40,001 - £45,000	2			1
£45,001 - £50,000				2
£60,001 - £65,000				2
£65,001 - £70,000	2			
£70,001 - £75,000				1
£75,001 - £80,000		1		
£80,001 - £85,000	3		1	1
£85,001 - £90,000	29			1
£90,001 - £95,000	3			1
£95,001 - £100,000	3		1	
£100,001 - £105,000	3	1	2	
£105,001 - £110,000	1	6	2	
£120,001 - £125,000		1	2	
£125,001 - £130,000	1	3		
£130,001 - £135,000			1	1
£135,001 - £140,000	1	1		
£140,001 - £145,000		1		1
£145,001 - £150,000		1		3
£155,001 - £160,000		2		1
£160,001 - £165,000				2
£165,001 - £170,000		1		
£175,001 - £180,000		1		4
£180,001 - £185,000	1			
£185,001 - £190,000			1	
£190,001 - £195,000		2	2	
£200,001 - £205,000		1		1
£205,001 - £210,000			2	3
£210,001 - £215,000		2	3	
£215,001 - £220,000		1		
£220,001 - £225,000		1	1	
£225,001 - £230,000		1	1	
£235,001 - £240,000		1		5
£240,001 - £245,000		1		
£245,001 - £250,000			2	1
£255,001 - £260,000			1	
£260,001 - £265,000			1	
£265,001 - £270,000		1	1	
£270,001 - £275,000				2
£275,001 - £280,000			3	
£285,001 - £290,000	1		2	2
£300,001 - £305,000			1	
£310,001 - £315,000			1	1
£315,001 - £320,000		6		1
£325,001 - £330,000			2	
£330,001 - £335,000			1	
£355,001 - £360,000			1	
£380,001 - £385,000				1
£390,001 - £395,000		1		
£395,001 - £400,000				1
£405,001 - £410,000			5	1
£410,001 - £415,000				1
£455,001 - £460,000				2
£460,001 - £465,000				1
£500,001 - £505,000			1	
£530,001 - £535,000		1		
£570,001 - £575,000				1
£580,001 - £585,000				1
£610,001 - £615,000		1		
£620,001 - £625,000			1	
£635,001 - £640,000		2		
£645,001 - £650,000				1
£655,001 - £660,000				1
£665,001 - £670,000				1
£680,001 - £685,000			1	
£710,001 - £715,000			1	
£725,001 - £730,000			1	
£730,001 - £735,000			1	
£735,001 - £740,000				1
£795,001 - £800,000		2		
£805,001 - £810,000				1
£850,001 - £855,000		1		
£885,001 - £890,000			1	
£935,001 - £940,000			2	
£955,001 - £960,000		1		
£1,060,001 - £1,065,000			1	
£1,115,001 - £1,120,000		2		
£1,210,001 - £1,215,000			1	
£1,225,001 - £1,230,000			1	
£1,330,001 - £1,335,000		1		
£1,460,001 - £1,465,000			1	

5 Directors and officers (continued)

(b) Loans and transactions

At 31 December 1995 there were outstanding loans to 25 directors of £541,000. No amounts were outstanding in respect of quasi-loans or credit transactions for any director.

At 31 December 1995 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.

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 1995 total pension costs were £4,395,000 (1994: £4,132,000).

Each of the defined benefit schemes has had a full valuation by independent, qualified actuaries using the projected unit funding method within three years of 31 December 1995. 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 7-8% per annum and price inflation, pension increases and dividend growth will run at 5% per annum.

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 £116,454,000 and the actuarial value of these assets covered 113% 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 £7,600,000 (1994: £6,126,000) is included in "Prepayments and accrued income" which represents accumulated contributions in excess of amounts charged to the profit and loss account.

7 Tax on profit on ordinary activities

	1995 £000	1994 £000
United Kingdom corporation tax at 33%	10,970	11,926
Relief for double taxation	(1,310)	(2,032)
	<u>9,660</u>	<u>9,894</u>
Tax credit on franked investment income	44	44
Transferred from deferred taxation liability (see note 23)	(1,298)	(2,499)
Overseas taxes	4,113	3,131
Adjustment in respect of prior years	(3,259)	(677)
Related transfer from deferred taxation asset (see note 24)	3,225	(120)
	<u>12,485</u>	<u>9,773</u>
Share of associated undertakings' taxation	<u>2,567</u>	<u>2,430</u>

The effective tax rate for the year is less than the UK corporation tax rate primarily because of overseas profits which are subject to lower rates of tax and because of the release of deferred tax on the disposal of two subsidiaries during the year. Each of these factors reduced the effective rate by 2.9%.

NOTES ON THE ACCOUNTS

8 Dividends

	1995	1994	1995	1994	1995	1994
	Swiss Francs		pence		£000	£000
	per share		per share			
Non-equity dividend						
Interim Swiss Franc dividend	4.4	4.3	-	-	2,421	2,026
Equity dividends						
Interim ordinary dividends in respect of the year ended						
- 31 December 1993	-	-	-	14.2	-	3,600
- 31 December 1994	-	-	15.8	35.6	4,000	9,000
- 31 December 1995	-	-	63.2	-	16,000	-
					22,421	14,626

It is intended that a further dividend in respect of the year ended 31 December 1995, the amount of which has not yet been determined, will be paid on 31 December 1996.

9 Treasury bills and other eligible bills

	Group 1995		Company 1995		Group 1994		Company 1994	
	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	21,538	21,981	21,538	21,981	19,063	18,837	19,063	18,837

Amounts include:

- unamortised discounts and premiums on investment securities

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
	904	904	1,063	1,063

Investment securities

	Cost £000	Discounts and premiums £000	Carrying value £000
Group and company			
At 1 January 1995	18,000	1,063	19,063
Acquisitions	30,634	918	31,552
Disposals	(28,000)	(312)	(28,312)
Amortisation of discounts and premiums	-	(765)	(765)
At 31 December 1995	20,634	904	21,538

10 Loans and advances to banks

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Repayable on demand	12,292	3,860	13,290	40
Other loans and advances				
Remaining maturity				
– over 5 years	1,212	1,212	–	–
– 1 year or less but over 3 months	101,070	103,978	70,813	47,993
– 3 months or less	549,622	380,723	679,735	446,446
	664,196	489,773	763,838	494,479
Amounts include:				
Due from subsidiary undertakings		3,316		–

11 Loans and advances to customers

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Remaining maturity				
– over 5 years	13,132	12,437	14,784 ^{*1}	12,401 ^{*1}
– 5 years or less but over 1 year	38,337 ^{*1}	31,649 ^{*1}	20,342 ^{*1}	28,218 ^{*1}
– 1 year or less but over 3 months	63,631 ^{*1}	58,792 ^{*1}	66,821	64,441
– 3 months or less	115,184 ^{*2}	168,630 ^{*2}	246,652 ^{*2}	292,025 ^{*2}
Specific bad and doubtful debt provisions	–	–	(1,762)	–
	230,284	271,508	346,837	397,085
Repayable at short notice	2,471	2,471	24,870	24,870
Repayable on demand	7,913	1,330	7,225	3,074
	240,668	275,309	378,932	425,029
Amounts include:			Company 1995 £000	Company 1994 £000
Due from subsidiary undertakings				
– unsubordinated			134,679	125,883
Due from associated undertakings				
– unsubordinated			7,406	12,525
Due from other undertaking in which the company has a participating interest				
– unsubordinated			10,373	20,959

^{*1} The above amounts include £13,985,000 (1994: £18,567,000) in respect of loans guaranteed by the Export Credits Guarantee Department.

^{*2} The above amounts include £96,541,000 (1994: £105,000,000) of secured lending to Bank of England approved Stock Exchange Money Brokers.

Group loans and advances to customers include £1,407,000 (1994: £17,654,000) net investment in finance leases of which £549,000 (1994: £10,850,000) is due after more than one year.

NOTES ON THE ACCOUNTS

12 Debt securities and other fixed income securities

	Group 1995		Company 1995		Group 1994		Company 1994	
	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	<u>8,324</u>	<u>8,446</u>	<u>8,324</u>	<u>8,446</u>	<u>21,768</u>	<u>21,778</u>	<u>21,768</u>	<u>21,778</u>
Issued by other issuers								
Investment securities								
– bank and building society certificates of deposit	527,125*	527,385	333,576*	333,837	602,992*	602,873	228,992*	228,873
– other debt securities	329,071	330,642	259,314	260,910	277,127	277,123	211,047	211,223
Other securities								
– debt securities	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,765</u>	<u>12,765</u>	<u>12,765</u>	<u>12,765</u>
	<u>856,196</u>	<u>858,027</u>	<u>592,890</u>	<u>594,747</u>	<u>892,884</u>	<u>892,761</u>	<u>452,804</u>	<u>452,861</u>
	<u>864,520</u>	<u>866,473</u>	<u>601,214</u>	<u>603,193</u>	<u>914,652</u>	<u>914,539</u>	<u>474,572</u>	<u>474,639</u>

*The above amounts include £88,000,000 (1994: £100,000,000) in respect of the company and £15,000,000 (1994: £15,000,000) in respect of the group which have been pledged as security.

	Group 1995		Company 1995		Group 1994		Company 1994	
	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000	Balance Sheet £000	Market Value £000
Listed on a recognised								
UK exchange	78,039	79,037	78,039	79,037	179,814	179,694	113,734	113,794
Listed elsewhere	52,692	52,919	52,692	52,919	82,066	82,075	82,066	82,075
Unlisted	<u>733,789</u>	<u>734,517</u>	<u>470,483</u>	<u>471,237</u>	<u>652,772</u>	<u>652,770</u>	<u>278,772</u>	<u>278,770</u>
	<u>864,520</u>	<u>866,473</u>	<u>601,214</u>	<u>603,193</u>	<u>914,652</u>	<u>914,539</u>	<u>474,572</u>	<u>474,639</u>
Due within one year	626,856		406,791		722,168		339,949	
Due one year and over	<u>237,664</u>		<u>194,423</u>		<u>192,484</u>		<u>134,623</u>	
	<u>864,520</u>		<u>601,214</u>		<u>914,652</u>		<u>474,572</u>	
Unamortised discounts and premiums on investment securities	<u>363</u>		<u>274</u>		<u>1,023</u>		<u>465</u>	

12 Debt securities and other fixed income securities (continued)

	Cost £000	Discounts and Premiums £000	Carrying value £000
Group			
At 1 January 1995	913,629	1,023	914,652
Exchange adjustments	4,192	169	4,361
Acquisitions	4,051,477	2,022	4,053,499
Disposals	(4,105,141)	(391)	(4,105,532)
Amortisation of discounts and premiums	—	(2,460)	(2,460)
At 31 December 1995	864,157	363	864,520
Company			
At 1 January 1995	474,107	465	474,572
Exchange adjustments	3,107	29	3,136
Acquisitions	2,203,659	381	2,204,040
Disposals	(2,079,933)	308	(2,079,625)
Amortisation of discounts and premiums	—	(909)	(909)
At 31 December 1995	600,940	274	601,214

13 Equity shares

	Group 1995		Company 1995		Group 1994		Company 1994	
	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	8,455	8,455	7,373	7,373	9,056	9,056	6,200	6,200
— listed on a non-UK exchange	3,401	3,401	1,299	1,299	1,279	1,279	1,304	1,304
	11,856	11,856	8,672	8,672	10,335	10,335	7,504	7,504
					Cost £000	Provisions £000	Carrying value £000	
Group								
At 1 January 1995				15,584		(5,249)	10,335	
Acquisitions				1,295		—	1,295	
Disposals				(203)		—	(203)	
Net provisions released				—		429	429	
At 31 December 1995				16,676		(4,820)	11,856	
Company								
At 1 January 1995				12,682		(5,178)	7,504	
Acquisitions				763		—	763	
Disposals				(129)		—	(129)	
Net provisions released				—		534	534	
At 31 December 1995				13,316		(4,644)	8,672	

NOTES ON THE ACCOUNTS

14 Interests in associated undertakings

	Cost £000	Carrying value £000
Group		
At 1 January 1995	61,635	63,033
Acquisitions	6,796	6,796
Share of profits	—	10,234
Distributions made	—	(5,289)
Exchange difference	—	9,111
At 31 December 1995	<u>68,431</u>	<u>83,885</u>
Company		
At 1 January 1995	621	425
Provisions released	—	196
At 31 December 1995	<u>621</u>	<u>621</u>

The principal associate held by the company is LDC Limited (33% equity interest), an investment company incorporated in Guernsey. The principal associated companies held by other group undertakings are Les Fils Dreyfus & Cie S.A., Banquiers (30% equity interest), a private bank incorporated in Basle, Switzerland; Lazard Creditcapital Limited (40% equity interest), a private merchant bank incorporated in Bombay, India; and Lazard Capital Markets (40% equity interest), a partnership established in December 1995, based at 21 Moorfields, London EC2P 2HT.

15 Other participating interests

The company has an interest of 51% 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.

16 Shares in group undertakings

	Cost £000	Carrying value £000
At 1 January 1995	2,957	2,957
Increased investment in group undertakings	500	500
At 31 December 1995	<u>3,457</u>	<u>3,457</u>

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 1995. 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, except for Lazard Brothers Asset Management Limited, the issued share capital of which also comprises 7.1% cumulative redeemable preference shares.

(a) Subsidiary undertakings wholly owned by the company

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

On 31 March 1995, Lazard Leasing Limited and Lazard Second Leasing Limited were sold.

16 Shares in group undertakings (continued)

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

On 1 June 1995, Lazard Investors Limited changed its name to Lazard Brothers Asset Management Limited and on 29 December 1995, Lazard Investors (Channel Islands) Limited changed its name to Lazard Brothers Asset Management (Channel Islands) Limited.

17 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
Group			
Cost			
At 1 January 1995	1,054	11,621	12,675
Additions	180	3,396	3,576
Disposals	(848)	(3,307)	(4,155)
At 31 December 1995	<u>386</u>	<u>11,710</u>	<u>12,096</u>
Accumulated depreciation			
At 1 January 1995	(814)	(7,638)	(8,452)
Disposals	848	2,948	3,796
Charge for year	(45)	(1,928)	(1,973)
At 31 December 1995	<u>(11)</u>	<u>(6,618)</u>	<u>(6,629)</u>
Net book value at			
31 December 1995	<u>375</u>	<u>5,092</u>	<u>5,467</u>
Net book value at			
31 December 1994	<u>240</u>	<u>3,983</u>	<u>4,223</u>

NOTES ON THE ACCOUNTS

17 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	
Company				
Cost				
At 1 January 1995	206	8,187	8,393	
Additions	—	3,040	3,040	
Disposals	—	(1,416)	(1,416)	
At 31 December 1995	206	9,811	10,017	
Accumulated depreciation				
At 1 January 1995	—	(4,464)	(4,464)	
Disposals	—	1,058	1,058	
Charge for the year	—	(1,718)	(1,718)	
At 31 December 1995	—	(5,124)	(5,124)	
Net book value at 31 December 1995	206	4,687	4,893	
Net book value at 31 December 1994	206	3,723	3,929	
	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Future capital expenditure				
— contracted but not provided in the accounts	555	555	—	—
— authorised by the directors but not contracted	1,281	1,281	1,404	1,174
	1,836	1,836	1,404	1,174

18 Other assets

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Secured lending transactions	43,468	-	-	-
Other securities	14,793	983	21,598	1,693
Other	29,998	26,723	60,130	46,369
	88,259	27,706	81,728	48,062

19 Deposits by banks

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
With agreed maturity dates or periods of notice, by remaining maturity				
– 5 years or less but over 1 year	–	1,400	–	2,449
– 1 year or less but over 3 months	32,384	32,384	10,780	5,985
– 3 months or less but not repayable on demand	481,137	517,195	326,154	334,085
	<u>513,521</u>	<u>550,979</u>	<u>336,934</u>	<u>342,519</u>
Repayable on demand	173	7,809	2,559	2,294
	<u>513,694</u>	<u>558,788</u>	<u>339,493</u>	<u>344,813</u>
Amounts include:				
Due to subsidiary undertakings		<u>67,990</u>		<u>47,005</u>

20 Customer accounts

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
With agreed maturity dates or periods of notice, by remaining maturity				
– 1 year or less but over 3 months	18,787	13,582	30,559	23,997
– 3 months or less but not repayable on demand	539,909	379,442	852,479	663,130
	<u>558,696</u>	<u>393,024</u>	<u>883,038</u>	<u>687,127</u>
Repayable on demand	249,579	125,206	301,358	159,652
	<u>808,275</u>	<u>518,230</u>	<u>1,184,396</u>	<u>846,779</u>
Amounts include:				
Due to subsidiary undertakings		<u>87,483</u>		<u>85,840</u>
Due to undertakings in which the company has a participating interest		<u>2,883</u>		<u>–</u>

21 Debt securities in issue

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Certificates of deposit				
– due within one year	<u>213,307</u>	<u>213,307</u>	<u>127,879</u>	<u>127,879</u>
Certificates of deposit with maturity dates, by remaining maturity				
– 1 year or less but over 3 months	12,000	12,000	–	–
– 3 months or less	201,307	201,307	127,879	127,879
	<u>213,307</u>	<u>213,307</u>	<u>127,879</u>	<u>127,879</u>

NOTES ON THE ACCOUNTS

22 Other liabilities

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Stock Exchange Money Broking cash balances (see below)	164,018	—	336,748	—
Other secured loan transactions	43,665	—	—	—
Taxation	11,664	1,751	13,798	19
Other	45,966	36,896	52,904	32,561
	265,313	38,647	403,450	32,580

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 London Stock Exchange Limited. 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 1995, the gross value of stock lent and borrowed was £3,431,000,000 (1994: £3,820,000,000).

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 cash balances within the other liabilities figure. The gross amounts of the loans are disclosed below:

	1995 £000	1994 £000
Receivable from ultimate parent undertaking	73,000	84,174
Receivable from Stock Exchange market makers	1,596,546	1,658,638
Receivable from banks	164,548	194,329
Payable to Stock Exchange market makers	(686,095)	(1,113,462)
Payable to banks	(1,215,476)	(1,105,427)
Payable to ultimate parent undertaking	(96,541)	(55,000)
Excess cash loans from counterparties	(164,018)	(336,748)

23 Deferred taxation

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Provision for deferred taxation				
– capital allowances	(1,096)	(1,013)	1,881	(752)
– other timing differences	1,432	1,079	705	823
	336	66	2,586	71

The provision for UK deferred taxation relating to capital allowances has been made at 33%, being the rate of corporation tax at which the asset is expected to crystallise.

23 Deferred taxation (continued)

	Group £000	Company £000
Provision at 1 January 1995	2,586	71
Adjustment in respect of prior years	33	33
Transfer to profit and loss account (see note 7)	(1,298)	(38)
Deferred tax liability sold with leasing companies	(985)	-
Provision at 31 December 1995	<u>336</u>	<u>66</u>

24 Post-retirement medical benefit

	Group £000	Company £000
Net provision at 1 January 1995	6,992	6,547
Movement in provision	1,108	1,048
Medical expenses set against the provision	(225)	(221)
Release of deferred tax asset previously set against provision	3,336	3,225
Provision at 31 December 1995	<u>11,211</u>	<u>10,599</u>

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 214 pensioners receive these benefits and 613 employees could, at the Group's discretion, be eligible to receive them when they reach retirement.

An actuarial estimate of the accrued cost which the Group might incur in respect of post-retirement medical benefits has been made 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.

Using these assumptions, as at 1 January 1995, the Group's accrued estimated cost amounted to £10,328,000 (1994: £9,942,000). At that time the directors expected that the actual cost of meeting liabilities for medical benefits would attract tax relief at an average rate of 32% and the liability at 1 January 1995 amounted to £6,992,000 net of deferred tax of £3,336,000. The deferred tax asset of £3,336,000 was released in 1995. £3,225,000 of the deferred tax asset was released to the profit and loss account (see note 7). In 1994 the increase in the deferred tax asset of £120,000 was transferred to the profit and loss account.

The charge to the profit and loss account in 1995 in respect of discretionary benefits accruing during the year has been calculated using the projected unit method. In addition to the cost of discretionary benefits accruing, interest on the expected costs accrued at the start of the year has also been charged. The charge to the profit and loss account for the Group for 1995 amounts to £1,108,000 (1994: £569,000) before taxation relief.

Medical expenses of £225,000 (1994: £183,000), have been charged against the provision. At 31 December 1995, the provision for medical expenses amounted to £11,211,000 (1994: £10,328,000; £6,992,000 after allowance for deferred tax).

NOTES ON THE ACCOUNTS

25 Called up share capital

	1995 £000	1994 £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
	<u>34,158</u>	<u>34,158</u>
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
	<u>30,711</u>	<u>30,711</u>

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. They do not confer the right to receive notice of, attend or vote at any general meeting. However, they 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 them 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 them.

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. 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.

No shares were purchased and cancelled by the company during the year or during the previous year, and no options were granted during the year. During 1994, options over a total of 141,536 ordinary shares of £1 each were granted with an exercise price of 480p per share. They are exercisable between 2000 and 2002.

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

Year of grant	Exercise Prices (p)	1995	1994
1987	472.5	—	5,682
1989	517.5	9,452	10,750
1990	640	5,459	44,684
1991	860	20,911	23,707
1992	320	269,852	285,994
1994	480	135,402	141,536
		<u>441,076</u>	<u>512,353</u>

They are exercisable during various periods between 1996 and 2002.

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

26 Reserves

	Group		Company	
	Share Premium	Profit and loss account	Share Premium	Profit and loss account
	£000	£000	£000	£000
As at 1 January 1995	58,094	83,798	50,180	47,915
Retained profit for the year	–	14,113	–	8,845
Revaluation of Swiss Franc share premium	7,156	–	–	–
As at 31 December 1995	65,250	97,911	50,180	56,760

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

27 Shareholders' funds

(a) Reconciliation of group shareholders' funds

	1995 £000	1994 £000
Profit attributable to shareholders	36,534	20,992
Dividends	(22,421)	(14,626)
	14,113	6,366
Revaluation of Swiss Franc share premium	7,156	3,077
Net addition to shareholders' funds	21,269	9,443
Opening shareholders' funds (see notes 25 and 26)	172,603	163,160
Closing shareholders' funds	193,872	172,603

(b) Analysis of non-equity interests

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Non-equity interests comprise:				
Deferred shares of £1 each	5,000	5,000	5,000	5,000
Swiss Franc shares of Sw Fr 1 each	55,070	40,000	47,914	40,000
	60,070	45,000	52,914	45,000

NOTES ON THE ACCOUNTS

28 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.

	1995			1994	
	Contract amount £m	Risk weight %	Risk weighted amount £m	Contract amount £m	Risk weighted amount £m
Group					
Contingent liabilities					
Acceptances and endorsements	52	62	32	72	50
Guarantees and assets pledged as collateral security					
– assets pledged as collateral security	22	27	6	31	6
	<u>74</u>		<u>38</u>	<u>103</u>	<u>56</u>
Commitments					
Forward asset purchases and forward deposits placed	4	100	4	13	13
Undrawn formal standby facilities, credit lines and other commitments to lend					
– 1 year and over	–	–	–	20	1
– less than 1 year	18	–	–	1	–
	<u>22</u>		<u>4</u>	<u>34</u>	<u>14</u>
	<u>96</u>		<u>42</u>	<u>137</u>	<u>70</u>
Exchange rate contracts					
– hedging	26	–	–	–	–
– trading	1,059	1	8	448	5
Interest rate contracts					
– hedging	72	–	–	1,075	–
– trading	289	–	–	109	–
	<u>1,446</u>		<u>8</u>	<u>1,632</u>	<u>5</u>
Replacement cost					
– exchange rate contracts			6		9
– interest rate contracts			–		–
			<u>6</u>		<u>9</u>

29 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.

	1995			1994	
	Contract amount £m	Risk weight %	Risk weighted amount £m	Contract amount £m	Risk weighted amount £m
Company					
Contingent liabilities					
Acceptances and endorsements	52	62	32	72	50
Guarantees and assets pledged as collateral security					
– assets pledged as collateral security	11	29	3	11	3
	<u>63</u>		<u>35</u>	<u>83</u>	<u>53</u>
Commitments					
Forward asset purchases and forward deposits placed	5	100	5	–	–
Undrawn formal standby facilities, credit lines and other commitments to lend					
– 1 year and over	–	–	–	11	–
– less than 1 year*	1	–	–	1	–
	<u>6</u>		<u>5</u>	<u>12</u>	<u>–</u>
	69		40	95	53
Exchange rate contracts					
– hedging	26	–	–	–	–
– trading	1,059	1	8	448	5
Interest rate contracts					
– hedging	72	–	–	1,075	–
– trading	289	–	–	109	–
	<u>1,446</u>		<u>8</u>	<u>1,632</u>	<u>5</u>
Replacement cost					
– exchange rate contracts			6		9
– interest rate contracts			–		–
			<u>6</u>		<u>9</u>

*The above amounts include £1,170,000 (1994: £272,000) committed facilities in respect of subsidiary undertakings.

NOTES ON THE ACCOUNTS

30 Consolidated cash flow statement

	1995 £000	1994 £000	Movement £000
(i) Analysis of cash and cash equivalents as shown in the balance sheet			
Cash and balance at central bank	76	35	41
Treasury bills	21,538	19,063	2,475
Certificates of deposit	527,125	602,992	(75,867)
Loans and advances to banks on demand	12,292	13,290	(998)
Deposits by banks on demand	(173)	(2,559)	2,386
	560,858	632,821	(71,963)
(ii) Reconciliation of group operating profit to net cash (outflow)/inflow from operating activities			
Group operating profit before taxation	49,019	30,765	
(Increase)/decrease in prepayments and accrued income	(26,491)	1,375	
Increase in accruals and deferred income	2,508	7,161	
Profit on sale of fixed assets	(274)	(325)	
Depreciation of fixed assets	1,973	1,526	
(Increase) in other assets	(6,496)	(21,902)	
(Decrease)/increase in other liabilities	(139,475)*	347,012	
Income from associates	(11,990)	(5,202)	
Profit on sale of equities	(490)	(142)	
Release of provision against equity valuation	(429)	(82)	
Net cash (outflow)/inflow from trading activities	(132,145)	360,186	
Decrease in loans and advances to customers	133,177*	343,909	
(Decrease) in customer accounts	(376,121)	(124,690)	
Decrease/(increase) in other loans and advances to banks	98,644	(163,463)	
Increase in deposits by banks	176,587	111,272	
(Increase)/decrease in other debt securities	(25,735)	54,455	
Decrease/(increase) in debt securities in issue	85,428	(29,763)	
Increase in provision for liabilities and charges	4,451*	265	
Net cash (outflow)/inflow from operating activities	(35,714)	552,171	

*The 1995 figures have been adjusted to eliminate the element of the movement which relates to the sale of two subsidiary companies in the year ended 31 December 1995. No separate note has been prepared in respect of these transactions as they do not have a significant balance sheet or cash flow impact.

31 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.

32 Miscellaneous

(a) Operating lease commitments

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Land and buildings – expiring in five years or more	<u>5,834</u>	<u>5,412</u>	<u>5,764</u>	<u>5,412</u>

(b) Assets and liabilities denominated by currency

	Group 1995 £000	Company 1995 £000	Group 1994 £000	Company 1994 £000
Denominated in sterling	1,374,874	1,045,922	1,749,834	1,211,209
Denominated in currencies other than sterling	<u>666,791</u>	<u>444,726</u>	<u>520,714</u>	<u>299,309</u>
Total assets	<u>2,041,665</u>	<u>1,490,648</u>	<u>2,270,548</u>	<u>1,510,518</u>
Denominated in sterling	1,472,222	1,136,531	1,749,834	1,211,209
Denominated in currencies other than sterling	<u>569,443</u>	<u>354,117</u>	<u>520,714</u>	<u>299,309</u>
Total liabilities	<u>2,041,665</u>	<u>1,490,648</u>	<u>2,270,548</u>	<u>1,510,518</u>

THE LAZARD HOUSES

LONDON

Lazard Brothers & Co., Limited

21 Moorfields

London EC2P 2HT

Telephone: 0171-588 2721

Telex: 886438

Facsimile: 0171-628 2485

PARIS

Lazard Frères et Cie.

121 Boulevard Haussmann

75382 Paris Cedex 08

Telephone: 00 33 1 4413-0111

Telex: 280666

Facsimile: 00 33 1 4225-7399

NEW YORK

Lazard Frères & Co. LLC

30 Rockefeller Plaza

New York N.Y. 10020

Telephone: 00 1 212 632-6000

Telex: RCA 222301

Facsimile: 00 1 212 632-6060

OVERSEAS SUBSIDIARIES AND AFFILIATES

JERSEY

Subsidiary company

P R Williams

Lazard Brothers & Co., (Jersey) Limited

Lazard House

2-6 Church Street, St. Helier

Telephone: 01534-620620

Telex: 4192154

Facsimile: 01534-620621

GUERNSEY

Subsidiary company

R E Alcock

Lazard Brothers & Co., (Guernsey) Limited

Lazard House

1 St. Julian's Avenue

St. Peter Port

Telephone: 01481-710461

Telex: 4191643

Facsimile: 01481-726709

ITALY

Associated company

M Garraffo

Lazard S.p.A.

Piazza Meda 3

20121 Milan

Telephone: 00 392 7601 4921

Facsimile: 00 392 7601 4409

SWITZERLAND

Associated company

Les Fils Dreyfus & Cie S.A., Banquiers

16 Aeschenvorstadt

Postfach 2656, CH-4002 Basle

Telephone: 00 41 61-286 6666

Telex: 962 391

Facsimile: 00 41 61-272 24 38

JAPAN

Associated company

K Sugashita, J P M Norbury

Lazard Japan Asset Management KK

AIJ Building 13th Floor

1-3 Marunouchi 1-chome

Chiyoda-ku, Tokyo 100

Telephone: 00 813 3211 8600

Facsimile: 00 813 3201 1395

JAPAN

Affiliated company

S W Oliver

Lazard Frères KK

AIJ Building 13th Floor

1-3 Marunouchi 1-chome

Chiyoda-ku, Tokyo 100

Telephone: 00 813 3201 2771

Facsimile: 00 813 3201 2772

GERMANY

Associated company

Dr W Kuna

Lazard & Co. GmbH

Ulmenstrasse 37-39

60325 Frankfurt am Main 1

Telephone: 00 49 69 170073-0

Facsimile: 00 49 69 170073-10

INDIA

Associated company

U Bose

Lazard Creditcapital Limited

Brady House, Veer Nariman Road

Fort, Bombay 400 001

Telephone: 00 9122 285 5926/28

Telex: 118 3095 CASH IN

Facsimile: 00 9122 283 5452

SINGAPORE

Affiliated company

J Mizrahi

Lazard Asia Limited

UOB Plaza 11 # 22-20

80 Raffles Place

Singapore 0104

Telephone: 00 65 534 2011

Facsimile: 00 65 534 2911