

Lazard & Co., Limited

**ANNUAL REPORT
2003**

Registered number: 162175



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DIRECTORS AND OFFICERS

Chairman
M A P Agius*

Deputy chief executive
W J Rucker*

Secretary
W D W Dennis

Vice chairman
N M H Jones*

Executive directors
W D W Dennis
J V Hansford †
K B Moore
C M Oglethorpe @
C G T Stonehill*#
R E J Wyatt @

Chief executive
C G Ward III*

* Managing
† appointed 14 April 2003
to retire 2 April 2004
@ appointed 24 March 2004

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activities and future developments

The Company is authorised by the Financial Services Authority to conduct designated investment business.

In October 2003, to supplement its operations in capital markets, the Company acquired substantially all trading positions and associated assets and liabilities of the business formerly carried on by Lazard Capital Markets, a partnership in which a subsidiary of the company had been one of the principal partners. As part of this development the Company opened a branch in Paris. In January 2004, some of the assets of WestLB Panmure Limited were acquired by LCL, following which part of the capital markets business operates as Panmure Gordon, a division of Lazard & Co., Limited.

Profit, dividends and reserves

The loss of the Company, after taxation, amounted to £8,937,000 (2002: loss of £4,975,000). After taking into account brought forward reserves of £11,225,000 carried forward reserves amount to £2,288,000. No dividend is proposed (2002: £3,400,000).

Directors and their interests

The names of the present directors, who have served throughout the year, are shown on page 2.

The following directors were appointed:

J V Hansford (14 April 2003)
C M Oglethorpe (24 March 2004)
R E J Wyatt (24 March 2004)

The following director is due to retire after the year end:

C G T Stonehill (2 April 2004)

The interests of the directors in the shares of group companies are shown on page 4.

Auditors

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 14 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386 (2) of the Companies Act 1985.

Directors' responsibilities

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 Company has no employees. Lazard & Co., Services Limited ("LSL") provides employment and other services to the Company. LSL gives full and fair consideration to the employment of disabled persons having regard to their aptitudes and abilities. Employees who are disabled are treated in the same way as all other employees as far as continuing employment, training and career development are concerned.

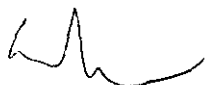
LSL provides employees with information on matters of concern to them by means of memoranda and brochures and the Company's intranet notice board.

DIRECTORS' REPORT

Risk management

The Risk Committee has the primary responsibility, within the risk appetite established by senior management, for monitoring and reviewing all market price, liquidity, funding, foreign exchange, operational, reputational, counterparty and credit risks attributable to the capital markets business. A Risk Review Group, comprising individuals who have a broad understanding of market, credit, legal, regulatory and operational risks, has been formed to review the existing risk management infrastructure for the Company, in accordance with regulatory requirements. The Board of the Company has ultimate responsibility over the Company and its subsidiary undertakings to assess the risk and ensure adequate controls are in place to manage the risks.

By order of the board
W D W Dennis
Secretary



Registered Office:
50 Stratton Street
London W1J 8LL

Registered Number: 162175

30 March 2004

DIRECTORS' INTERESTS

All of the directors apart from Mr Stonehill are directors of the holding company, Lazard & Co., Holdings Limited ("LCH"). As the directors' interests in shares in, or debentures of, group companies are disclosed in the group financial statements, there is no requirement to disclose these interests in this company's financial statements.

Mr Stonehill has interests in Lazard LLC, the Company's ultimate parent company.

REPORT OF THE INDEPENDENT AUDITORS

to the members of Lazard & Co., Limited

We have audited the financial statements of Lazard & Co., Limited (the "Company") for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

Basis of audit opinion

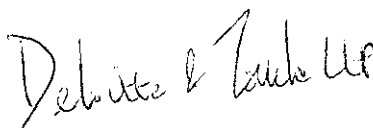
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and

judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 March 2004

LAZARD & CO., LIMITED
PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

Note		2003 £000	2002 £000
1,2	Turnover	63,124	33,775
	- Continuing operations	60,968	33,775
	Acquisitions	2,156	-
2	Other operating income	222	663
2, 3	Operating expenses	(94,320)	(69,512)
2	Operating loss	(30,974)	(35,074)
	- Continuing operations	(24,727)	(35,074)
	Acquisitions	(6,247)	-
	Profit on sale of fixed assets in continuing operations	28	34
	Interest receivable	1,601	3,183
	Income from fixed asset investments	23,330	27,417
	Amounts written off investments	(741)	(137)
26	Interest payable and similar charges	(73)	(459)
4	Loss on ordinary activities before taxation	(6,829)	(5,036)
6	Tax (charge) / credit on loss on ordinary activities	(2,108)	61
	Loss on ordinary activities after taxation	(8,937)	(4,975)
7	Dividends	-	(3,400)
17	Deficit for the year	(8,937)	(8,375)
	Reserves brought forward	11,225	19,600
17	Reserves carried forward	2,288	11,225

No material gains or losses have been recognised in these financial statements other than those reflected in the Profit and Loss Account and therefore no separate statement of total recognised gains and losses has been presented.

A reconciliation of the movement in shareholders' funds is shown in note 18.

LAZARD & CO., LIMITED
BALANCE SHEET

as at 31 December 2003

Note	2003 £000	2002 £000
Fixed Assets		
8 Tangible fixed assets	23,114	5,137
9 Investments	14,050	18,138
	37,164	23,275
Current Assets		
10 Debtors	49,910	59,182
11 Investments	5,686	29,705
23 Cash at bank and in hand	53,208	30,607
	108,804	119,494
13 Creditors: amounts falling due within one year	(41,104)	(35,987)
NET CURRENT ASSETS	67,700	83,507
TOTAL ASSETS LESS CURRENT LIABILITIES	104,864	106,782
14 Creditors: amounts falling due after more than one year	-	(1,469)
15 PROVISIONS FOR LIABILITIES AND CHARGES	(24,083)	(15,595)
NET ASSETS	80,781	89,718
CAPITAL AND RESERVES		
16 Called up share capital	32,803	32,803
17 Share premium account	45,282	45,282
17 Capital redemption reserve	408	408
17 Profit and loss account	2,288	11,225
SHAREHOLDERS' FUNDS	80,781	89,718
SHAREHOLDERS' FUNDS ATTRIBUTABLE TO:		
Equity shareholders	75,781	84,718
Non-equity shareholders	5,000	5,000
	80,781	89,718

Signed on behalf of the board on 30 March 2004

M A P Agius

C G Ward III

1 Accounting policies

(a) Disclosure requirements and basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.

The results of the capital markets operations acquired from Lazard Capital Markets on 1 October 2003 are shown as an acquisition in 2003. The results of the corporate finance business transferred from Lazard Brothers & Co., Limited in August 2002 are shown as an acquisition in 2002.

(b) Turnover

Turnover comprises corporate finance revenue (see note 1 (j)) and gains and losses on capital markets business.

(c) Investments

Investments intended for use on a continuing basis in the Company's activities are classified as fixed asset investments and are included at cost less any impairment and adjusted for discount accretion or premium amortisation. Interest receivable thereon and the premium or discount are taken to the profit and loss account on a straight line basis over the period to the date of anticipated redemption. Other debt and equity instrument positions arising from trading activities are classified as current asset investments and carried at market prices where these exist or at directors' valuation.

(d) Interests in group undertakings

Participating interests and interests in group and associated undertakings are stated at cost less provision for any impairment in value.

(e) Trading securities

Debt and equity securities arising from trading activities are classified as current asset investments and are valued at market prices where these exist or at directors' valuation, with the resulting profit or loss being taken to the profit and loss account. This is not in accordance with Schedule 4 of the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or that, if revalued, any revaluation differences be taken to a revaluation reserve. The directors consider that this departure is necessary in order to give a true and fair view of the results of the trading activities of the Company, in accordance with section 226(5) of the Companies Act 1985. The directors consider that it would be misleading to quantify the effects of non-compliance with the Act.

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

Forward foreign exchange contracts and other off-balance sheet instruments are used as hedges and are accounted for in accordance with the accounting treatment of the items being hedged.

(g) Tangible fixed assets

Leasehold improvements are depreciated over the term of the lease on a straight line basis, commencing on the date that assets are put into use. Other fixed assets are depreciated over their expected lives on a straight line basis, which range from 3 to 10 years. Antiques and works of art are not depreciated.

(h) Foreign currencies

Transactions in foreign currencies are translated into sterling at contracted rates during the year and monetary assets and liabilities are retranslated at the rates ruling at the balance sheet date with exchange differences dealt with in the profit and loss account.

CONTINUED
NOTES TO THE ACCOUNTS

1 Accounting policies (continued)

(i) Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(j) Fees receivable

The majority of fees are contingent on a future event and are therefore only recognised when that event occurs. Where the terms of the engagement allow for the issuance of invoices before the completion of an engagement, turnover is recognised when contractual performance has taken place.

(k) Capital markets income

Dealing profits and management fees are accrued on a trade date basis. Underwriting and other income is accrued when its receipt is assured.

(l) Operating leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

2 Continuing operations

	Continuing £000	2003 Acquisitions £000	Total £000	Continuing £000	2002 Acquisitions £000	Total £000
Turnover	60,968	2,156	63,124	33,775	-	33,775
Other operating income	221	1	222	663	-	663
Operating expenses	(85,916)	(8,404)	(94,320)	(69,512)	-	(69,512)
Operating loss	<u>(24,727)</u>	<u>(6,247)</u>	<u>(30,974)</u>	<u>(35,074)</u>	<u>-</u>	<u>(35,074)</u>

CONTINUED
NOTES TO THE ACCOUNTS

2 Continuing operations (continued)

	Continuing £000	2003 Acquisitions £000	Total £000	Continuing £000	2002 Acquisitions £000	Total £000
Turnover comprises:						
Fee income	60,025	1,587	61,612	25,736	-	25,736
Gains and losses from trading operations	943	569	1,512	7,800	-	7,800
Other income	-	-	-	239	-	239
	60,968	2,156	63,124	33,775	-	33,775

No geographical analysis is given, as more than 90% of the Company's activities are within the E.U. and the business is all banking in nature.

Gains and losses from trading operations includes:

	Continuing £000	2003 Acquisitions £000	Total £000	Continuing £000	2002 Acquisitions £000	Total £000
Interest income						
Other interest receivable	155	-	155	1,995	-	1,995
	155	-	155	1,995	-	1,995

3 Operating expenses

	2003 £000	2002 £000
Premises cost	17,712	18,281
Commission expense	-	5,006
Recharge from group company	71,367	45,598
Other administrative expenses	5,241	627
	94,320	69,512

Recharge from group company comprises a recharge of operating expenses from Lazard & Co., Services Limited ("LSL").

CONTINUED
NOTES TO THE ACCOUNTS

4 Loss on ordinary activities before tax

	2003 £000	2002 £000
This is stated after taking into account:		
(a) Income		
Profits less losses on securities dealing	8	77
(b) Charges		
Rental charged on land and buildings held under operating lease	8,700	2,881
Depreciation	1,201	-

The auditors' remuneration for the current and prior year was borne by LSL.

5 Directors and officers

The directors' emoluments and details of directors' transactions set below relate to those directors of the Company who provide their services wholly or primarily to the Company.

The emoluments and details of directors' transactions of directors who were also directors of the immediate holding company, LCH, have been disclosed in the financial statements of LCH and are excluded from the figures shown below.

(a) Emoluments

Aggregate emoluments paid to directors and former directors for services in respect of the Company in 2003 amounted to £nil (2002: £642,253).

Compensation paid for loss of office to directors was £nil (2002: £10,909).

No directors accrued benefits under a "defined benefit" pension scheme (2002: Four). No directors accrued benefits under 'money purchase' pension arrangements (2002: None).

(b) Highest Paid Director

The total emoluments of the highest paid director in respect of 2003 were £nil (2002: £343,931). On 31 December his accrued benefits under the defined benefit pension scheme amounted to a pension of £nil p.a. (2002: £50,314 p.a.).

(c) Loans and Transactions

There were no loans to, or transactions with, directors requiring disclosure during the period.

CONTINUED
NOTES TO THE ACCOUNTS

6 Tax (credit) / charge on (loss) / profit on ordinary activities

	2003 £000	2002 £000
United Kingdom corporation tax at 30% (2002: 30%)	-	(370)
Overseas taxes	1,072	69
Adjustment in respect of prior years	(2,234)	(527)
Credit for current tax for the year	(1,162)	(828)
Transferred from deferred taxation asset (see note 12)	3,270	767
Tax charge / (credit) on loss on ordinary activities	2,108	(61)

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2002: 30%). The credit for current year tax for the year is less than 30% for the reasons set out in the following reconciliation:

	2003 £000	2002 £000
Loss on ordinary activities before tax	(6,829)	(5,036)
Tax on loss on ordinary activities at standard rate	(2,048)	(1,511)
Factors affecting charge:		
- Capital allowances for the period in excess of depreciation	(707)	(601)
- Dividends from UK subsidiaries	(6,954)	(8,172)
- Dividends received from other UK companies	-	(390)
- Disallowed expenses	13	84
- Adjustment in respect of prior years	(2,234)	(527)
- Leasehold provision for exit from office	-	4,620
- Other	1,247	414
Losses for which no current relief obtained		
- Recognised in deferred tax (see note 12)	-	2,573
- Not recognised in deferred tax	9,521	2,682
Credit for current tax for the year	(1,162)	(828)

7 Dividends

	2003 pence per share	2002	2003 £000	2002 £000
Equity dividends				
Ordinary dividends paid / payable				
- Second interim re 2001- paid	-	12.23	-	3,400
			-	3,400

CONTINUED
NOTES TO THE ACCOUNTS

8 Tangible fixed assets

	Fixtures, Fittings and Equipment £000	Leasehold improvements £000	Antiques and works of art £000	Total £000
Cost				
At 1 January 2003	-	4,761	376	5,137
Additions	4,310	15,244	14	19,568
Disposals	-	-	(390)	(390)
	4,310	20,005	-	24,315
Depreciation				
Charge for the year	(573)	(628)	-	(1,201)
At 31 December 2003	(573)	(628)	-	(1,201)
Net book value				
At 31 December 2003	3,737	19,377	-	23,114
At 31 December 2002	-	4,761	376	5,137

Amounts contracted but not accrued at 31 December 2003 were £323,000 (2002: £4,919,000).

9 Fixed asset investments

	2003 £000	2002 £000
Interest in related undertakings		
- Interest in group undertakings	8,852	9,295
- Other participating undertaking	-	520
	8,852	9,815
Equity shares held as investment securities		
- unlisted	2,235	5,360
- listed on a non-UK exchange	2,963	2,963
	14,050	18,138
Market value of Equity Shares held as investment securities		
- listed on a non-UK exchange	4,491	3,923

CONTINUED
NOTES TO THE ACCOUNTS

9 Fixed asset investments (continued)

	Interest in related undertakings	Equity Shares Unlisted	Equity Shares Listed on a non-UK exchange	Total
	£000	£000	£000	£000
Cost				
At 1 January 2003	17,944	8,056	2,963	28,963
Additions	125	925	-	1,050
Disposals	(520)	(6,500)	-	(7,020)
At 31 December 2003	17,549	2,481	2,963	22,993
Provision				
At 1 January 2003	(8,129)	(2,696)	-	(10,825)
Charge for the year	(568)	(92)	-	(660)
Disposal	-	2,542	-	2,542
At 31 December 2003	(8,697)	(246)	-	(8,943)
Net book value at 31 December 2003	8,852	2,235	2,963	14,050
Net book value at 31 December 2002	9,815	5,360	2,963	18,138

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

Principal subsidiary undertakings

Lazard Holdings Limited ⁽¹⁾
Lazard Overseas Holdings Limited ⁽¹⁾
Lazard Italy Limited ⁽²⁾
Lazard Creditcapital Holdings Limited ⁽³⁾
Lazard & Co., Europe Limited ⁽¹⁾

⁽¹⁾ Direct subsidiary of Lazard & Co., Limited.

⁽²⁾ Lazard & Co., Limited holds 58.4% of the share capital of Lazard Italy Limited, the holding company of a corporate finance advisory group incorporated in Italy. Lazard Italy Limited has changed its accounting date to 30 November with effect from 30 November 2003.

⁽³⁾ Lazard & Co., Limited holds 62.5% of the share capital of Lazard Creditcapital Holdings Limited, the holding company of a corporate finance advisory group incorporated in India.

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

CONTINUED
NOTES TO THE ACCOUNTS

10 Debtors

	2003 £000	2002 £000
Trade debtors	12,285	4,954
Amounts due from group undertakings	23,197	40,789
Deferred taxation (see note 12)	-	1,116
Other debtors	14,414	12,246
Prepayments and accrued income	14	77
	<u>49,910</u>	<u>59,182</u>

Included in amounts due from group undertakings is an amount of £nil (2002: £4,047,000) in respect of a subordinated loan due after more than one year.

11 Current asset investments

	2003 £000	2002 £000
Trading securities - unlisted	5,686	26,705
Certificate of deposit - cost and market value	-	3,000
	<u>5,686</u>	<u>29,705</u>

12 Deferred taxation

	2003 £000	2002 £000
Deferred taxation (liability) / assets		
- capital allowances	-	682
- other timing differences	-	15
- gains rolled over	(2,154)	(2,154)
- losses carried forward	-	2,573
	<u>(2,154)</u>	<u>1,116</u>

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

	Losses carried forward £000	Gains rolled over £000	Capital allowance £000	Other £000	Total £000
At 1 January 2003 (see note 10)	2,573	(2,154)	682	15	1,116
Transferred to profit and loss account (see note 6)	(2,573)	-	(682)	(15)	(3,270)
At 31 December 2003 (see note 15)	<u>-</u>	<u>(2,154)</u>	<u>-</u>	<u>-</u>	<u>(2,154)</u>

CONTINUED
NOTES TO THE ACCOUNTS

12 Deferred taxation (continued)

The Company has a potential future tax benefit not recognised of approximately £23,000,000 in respect of losses carried forward.

13 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Amounts due to group undertakings	11,529	19,075
Tax creditor	1,383	-
Other creditors	17,305	10,654
Accruals and deferred income	10,887	6,258
	<u>41,104</u>	<u>35,987</u>

14 Creditors: amounts falling due after more than one year

	2003	2002
	£000	£000
6% subordinated unsecured loan capital		
- repayable after more than one year	-	1,469
	<u>-</u>	<u>1,469</u>

The loan capital was redeemed at the option of the Company in March 2003.

15 Provisions for liabilities and charges

	Deferred tax £000	Leasehold provision £000	Other £000	Total £000
Provision at 1 January 2003	-	15,400	195	15,595
Charge to profit and loss	-	9,924	-	9,924
Released in the year	-	(3,540)	(50)	(3,590)
Transferred from deferred tax debtor	2,154	-	-	2,154
Provision at 31 December 2003	<u>2,154</u>	<u>21,784</u>	<u>145</u>	<u>24,083</u>

The leasehold provision represents the net present value of future premises cost relating to the Company's prior place of business under the terms of its existing lease from the date that the premises become largely unoccupied following a move to new offices during 2003. The lease on the Company's current place of business expires in 2008. The amount of the provision has been revised as assumptions have been updated to reflect changing market conditions.

The following assumptions have been used:

	At 31 December 2003	At 31 December 2002
Discount rate	8% p.a.	10% p.a.
Percentage of floor space recovered from sub letting	1.2%	74%

Other provisions for liabilities and charges represent an estimate of the obligation to pay should various potential legal claims be made against the Company.

CONTINUED
NOTES TO THE ACCOUNTS

16 Called up share capital

	2003 £000	2002 £000
Authorised:		
1 (2002: 1) special rights redeemable preference share of £1	-	-
28,750,000 (2002: 28,750,000) ordinary shares of £1 each	28,750	28,750
5,000,000 (2002: 5,000,000) deferred shares of £1 each	5,000	5,000
	33,750	33,750
	2003 £000	2002 £000
1,000,000 (2002: 1,000,000) shares of SwFr 1 each	447	447
	2003 £000	2002 £000
Called up, allotted and fully paid:		
1 (2002: 1) special rights redeemable preference share of £1	-	-
27,803,221 (2002: 27,803,221) ordinary shares of £1 each	27,803	27,803
5,000,000 (2002: 5,000,000) deferred shares of £1 each	5,000	5,000
	32,803	32,803

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

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

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

17 Reserves

	Share premium £000	Capital redemption reserve £000	Profit and loss account £000
As at 1 January 2003	45,282	408	11,225
Retained loss for the year	-	-	(8,937)
As at 31 December 2003	45,282	408	2,288

CONTINUED
NOTES TO THE ACCOUNTS

18 Shareholders' funds

	2003 £000	2002 £000
(a) Reconciliation of movements in shareholders' funds		
Loss attributable to shareholders	(8,937)	(4,975)
Dividends	-	(3,400)
Net reduction in shareholders' funds	(8,937)	(8,375)
Opening shareholders' funds	89,718	98,093
Closing shareholders' funds	<u>80,781</u>	<u>89,718</u>
(b) Analysis of non-equity interests		
	2003 £000	2002 £000
Deferred shares of £1 each	<u>5,000</u>	<u>5,000</u>

19 Related party transactions

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

20 Miscellaneous

	2003 £000	2002 £000
Commitments and guarantees		
Guarantees and assets pledged as collateral security		
- guarantees	160	160
- assets pledged as collateral security	2,950	12,406
Commitments		
- undrawn formal standby facilities, credit lines and other commitments to lend	1,687	8,817
	<u>4,797</u>	<u>21,383</u>

21 Cash flow statement

The Company is a wholly owned subsidiary of an EU company which publishes consolidated financial statements that include a consolidated cash flow statement and therefore is not required to produce its own cash flow statement.

CONTINUED
NOTES TO THE ACCOUNTS

22 Operating lease commitments

At 31 December 2003 the Company was committed to making the following payments during the year in respect of operating leases.

	Land and buildings 2003 £000	Land and buildings 2002 £000
Annual commitment in respect of leases which expire:		
Within one year	-	-
Within two to five years	5,421	-
After five years	10,677	16,098
	<u>16,098</u>	<u>16,098</u>

These include costs provided in the leasehold provision in Note 15.

23 Cash at bank and in hand

Cash on deposit at other banks include client money of £842,000 (2002: £6,475,000).

24 Ultimate parent company

The parent company of the smallest group which includes the Company, and for which group accounts are to be prepared and the Company's immediate controlling party, is LCH, a company incorporated in Great Britain and registered in England and Wales.

Copies of LCH's financial statements may be obtained from The Secretary, Lazard & Co., Holdings Limited, 50 Stratton Street, London W1J 8LL.

The Company's ultimate parent company and ultimate controlling party is Lazard LLC, a Delaware limited liability company. Lazard LLC's financial statements are not available to the public.

25 Post balance sheet events

In January 2004, some of the assets of WestLB Panmure Limited were acquired by the Company, following which part of the capital markets business operates as Panmure Gordon a division of Lazard & Co., Limited.

26 Interest payable and similar charges

	2003 £000	2002 £000
Interest payable on:		
- Bank loans and overdrafts	52	304
- Other loans	21	155
	<u>73</u>	<u>459</u>

27 Exchange gains and losses

	2003 £000	2002 £000
Net amount of exchange gains and loss on foreign currency deposits:	<u>1,497</u>	<u>587</u>