

LAZARD HOLDINGS LIMITED
FOR THE YEAR ENDED 31ST DECEMBER 1998
REGISTERED NUMBER: 2022660

<u>CONTENTS</u>	<u>PAGE</u>
Report of the directors	1 - 2
Report of the auditors	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6 - 10



LAZARD HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31st December 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company is an investment holding company and continues to hold, directly or indirectly, UK subsidiaries and associates of Lazard Brothers & Co., Limited.

RESULTS FOR THE YEAR

The profit on ordinary activities after taxation was £3,701,622 (1997: £9,462,999). A final dividend of £7,500,000 is proposed. The retained loss of £3,798,378 has been transferred to reserves. After taking into account brought forward reserves of £27,859,107, carried forward reserves at 31st December 1998 amount to £24,060,729.

CHANGES IN FIXED ASSETS

The movements in fixed assets during the year are set out in note 6 to the financial statements.

DIRECTORS DURING THE YEAR

M.C. Baughan
W.D.W. Dennis (alternate to Mr. Verey & Mr. Stone)
L.A.W. Evans
J.A. Kitchen (resigned 31st January 1998)
N.T. Lukes
J.R. Stone
D.J. Verey

DIRECTORS' INTERESTS AND RESPONSIBILITIES

All directors, except for Mr. Dennis, were/are directors of the holding company, Lazard Brothers & Co., Limited. As the directors' interests in shares in, or debentures of, group companies are disclosed in the group financial statements, there is no requirement to disclose these interests in this company's financial statements. Mr. Dennis had no interests in group companies.

LAZARD HOLDINGS LIMITED

DIRECTORS' INTERESTS AND RESPONSIBILITIES (continued)

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 that period. In preparing those financial statements, the directors confirm that suitable accounting 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.

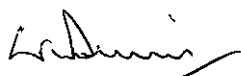
YEAR 2000

Preparations for ensuring that all internal systems are Year 2000 compliant started in 1997 and are being managed by the ultimate holding company, Lazard Brothers & Co., Limited. The related costs are also being borne by Lazard Brothers & Co., Limited. These preparations and costs are disclosed in the group financial statements. Given the complexity of the problem and the possibility of difficulties being caused by third parties' Year 2000 problems, it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However, the directors believe that the formal project plans will achieve an acceptable state of readiness.

CHANGE OF AUDITORS

Our auditors, Coopers & Lybrand (C&L), merged with Price Waterhouse on 1st July, following which C&L resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

BY ORDER OF THE BOARD



W.D.W. Dennis
Secretary

21 Moorfields
London EC2P 2HT

2nd February 1999

LAZARD HOLDINGS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF LAZARD HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 10, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described in the directors' report, the audited 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 the company's affairs at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

London

2nd February 1999

LAZARD HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
Interest receivable	2	1,208,938	-
Interest and discount payable	2	(1,289,929)	(1,540,099)
		<hr/>	<hr/>
NET INTEREST PAYABLE		(80,991)	(1,540,099)
Sundry income		1,576	-
Profit on disposal of group companies		-	4,679,982
Gain/(loss) on revaluation of investment		(59,297)	191,525
Dividends receivable from subsidiaries	2	571,740	2,729,315
Dividends receivable from associate	2	3,243,975	3,654,000
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,677,003	9,714,723
Tax (charge)/credit on profit on ordinary activities	5	24,619	(251,724)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,701,622	9,462,999
Interim dividend paid	12	-	(850,000)
Final dividend proposed/paid	12	(7,500,000)	(4,000,000)
		<hr/>	<hr/>
TRANSFER TO/(FROM) RESERVES		(3,798,378)	4,612,999
Reserves brought forward		27,859,107	23,246,108
		<hr/>	<hr/>
RESERVES CARRIED FORWARD		24,060,729	27,859,107
		<hr/>	<hr/>

The company has no recognised gains and losses other than the profits above 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 and the transfer to reserves stated above, and their historical cost equivalents. A reconciliation of the movement in shareholders' funds is shown in note 12.

The notes on pages 6 to 10 form an integral part of these accounts.

LAZARD HOLDINGS LIMITED**BALANCE SHEET AT 31ST DECEMBER 1998**

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
FIXED ASSETS			
Investment in subsidiaries	6	27,020,475	27,079,772
Investment in associate	7	7,684,980	7,684,980
Other investments	8	3,437,965	3,437,965
		<hr/>	<hr/>
		38,143,420	38,202,717
CURRENT ASSETS			
Amount due from group companies	9	26,639,556	28,177,052
Amount due from associate company		3,245,000	2,923,000
Amount due in respect of group relief		24,619	485,026
		<hr/>	<hr/>
		29,909,175	31,585,078
CREDITORS			
Amounts falling due within one year	10	(43,491,766)	(39,828,588)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(13,582,591)	(8,243,510)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,560,829	29,959,207
CREDITORS			
Amounts falling due after more than one year	10	(500,000)	(2,100,000)
		<hr/>	<hr/>
NET ASSETS		24,060,829	27,859,207
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	11	100	100
Profit and loss reserves		24,060,729	27,859,107
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	12	24,060,829	27,859,207
		<hr/>	<hr/>

The accounts on pages 4 to 10 were approved by the Board of Directors on 2nd February 1999, and were signed on its behalf by:

Alain Serfati)
Johnny Bouchard) Directors

LAZARD HOLDINGS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

a) Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting.

b) Group accounts

Group accounts of the company and its subsidiaries are not prepared because the company is a wholly owned subsidiary of Lazard Brothers & Co., Limited, a company incorporated in Great Britain and registered in England and Wales.

c) 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.

d) Deferred taxation

Deferred taxation is provided under the liability method on all timing differences to the extent that the directors consider the taxation will crystallise in the foreseeable future.

e) Interest and dividends

Interest and dividends receivable and payable are accounted for on an accruals basis.

f) Fixed asset investments

Investments held as fixed assets are stated at cost.

2. INTEREST AND DIVIDENDS

Interest and dividends are receivable from group companies, associate company and subsidiaries.

Interest and discount of £1,289,929 (1997: £1,540,099) was payable on bank loans and other loans, repayable in one amount within 5 years. An amount of £1,061,573 was payable to a fellow subsidiary.

3. DIRECTORS' EMOLUMENTS

There were no directors' fees or other emoluments during the current or previous years. The company has no employees.

LAZARD HOLDINGS LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST DECEMBER 1998 (continued)****4. AUDITORS' REMUNERATION**

The auditors' remuneration for the current and previous years was borne by the ultimate holding company.

5. TAXATION

	<u>1998</u> £	<u>1997</u> £
UK corporation tax at 31% (1997 : 31.5%)		
Current	24,619	485,026
Tax credit on franked investment income	-	(736,750)
	<u>24,619</u>	<u>(251,724)</u>

6. INVESTMENT IN SUBSIDIARIES

	<u>1998</u> £	<u>1997</u> £
COST		
At 1st January	27,079,772	29,668,243
Additions	-	225,003
Disposals	-	(3,005,000)
Gain/(loss) on revaluation of investment	(59,297)	191,526
	<u>27,020,475</u>	<u>27,079,772</u>
 At 31st December	 <u>27,020,475</u>	 <u>27,079,772</u>
 NET BOOK VALUE		
At 1st January	27,079,772	29,668,243
	<u>27,020,475</u>	<u>27,079,772</u>
 At 31st December	 <u>27,020,475</u>	 <u>27,079,772</u>

LAZARD HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998 (continued)

6. INVESTMENT IN SUBSIDIARIES (continued)

Details of the principal subsidiary companies are as follows:

<u>Name of Subsidiary</u>	<u>Class of Share</u>	<u>% Held</u>
Gardner Lohmann Limited	Ordinary	100%
Lazard Money Broking Limited	Ordinary	100%
Lazard Brothers Capital Markets Limited	Ordinary	100%

Lazard Money Broking Limited was a Stock Exchange Money Broker, which transferred its activities to the ultimate holding company, Lazard Brothers & Co., Limited on 2nd January, 1996 on introduction of the gilt repo market. Gardner Lohmann was formerly a commodity broker and dealer; it has ceased to trade in this business. Lazard Brothers Capital Markets Limited is an investment company.

The directors are of the opinion that the value of the company's investment in subsidiaries is not less than the amount at which it is stated in the balance sheet. The subsidiaries are all registered in England and Wales.

7. INVESTMENT IN ASSOCIATE

The investment represents 75% of the ordinary shares and 15% of the voting shares in Lazard Asset Management Holdings Limited, a holding company for a group of companies involved in fund management activities. Lazard Asset Management Holdings Limited is incorporated in the United Kingdom and registered in England and Wales.

8. OTHER INVESTMENTS

The company owns interest free unsecured loan stock of £3,437,965 (1997: £3,437,965) in Lazard Overseas Holdings Limited. This represents 100% of the loan stock. The directors are of the opinion that the value of the investment is not less than the cost amount at which it is stated in the balance sheet.

LAZARD HOLDINGS LIMITED**NOTES TO THE ACCOUNTS****FOR THE YEAR ENDED 31ST DECEMBER 1998 (continued)**

9.	AMOUNTS DUE FROM GROUP COMPANIES	<u>1998</u> £	<u>1997</u> £
	Amounts due from parent undertaking	4,644,674	1,572,237
	Amounts due from fellow subsidiaries	21,423,142	25,750,000
	Amounts due from subsidiary undertakings	571,740	854,815
		<hr/>	<hr/>
		26,639,556	28,177,052
		<hr/>	<hr/>

The company has made an interest free loan of £10,050,000 (1997: £10,050,000) to Lazard Overseas Holdings Limited. The loan is repayable on demand.

10.	CREDITORS	<u>1998</u> £	<u>1997</u> £
	Amounts falling due with one year:		
	Amounts due to fellow subsidiaries	(13,323,096)	(13,359,636)
	Amount due to subsidiary undertakings	(21,000,000)	(21,000,000)
	Sundry creditors	(68,670)	(68,952)
	Proposed dividend	(7,500,000)	(5,400,000)
	Loan from Lazard Brothers 1991 Employee Benefit Trust	(1,600,000)	-
		<hr/>	<hr/>
		(43,491,766)	(39,828,588)
		<hr/>	<hr/>

The company has been granted a sterling cash advance facility by Lazard Brothers & Co., Limited of which £nil (1997: £nil) has been drawn down.

	<u>1998</u> £	<u>1997</u> £
Amounts falling due after more than one year:		
Loan from Lazard Brothers 1991 Employee Benefit Trust	(500,000)	(2,100,000)
	<hr/>	<hr/>

The company has borrowed £2,100,000 from the Lazard Brothers 1991 Employee Benefit Trust, which is unsecured. A loan of £1,600,000 was made on 6th October, 1994 for five years with interest at 11% per annum payable every six months. A further five year loan of £500,000 was made on 14th July, 1995 with interest at 10.5% per annum payable every six months.

LAZARD HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1998 (continued)

11.	CALLED UP SHARE CAPITAL	<u>1998</u> £	<u>1997</u> £
	Authorised, allotted, called up and fully paid 100 Ordinary shares of £1 each	100	100
12.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
		<u>1998</u> £	<u>1997</u> £
	Profit attributable to members of the company	3,701,622	9,462,999
	Dividends - interim paid of £nil per share (1997: £8,500)	-	(850,000)
	Dividends - proposed of £75,000 per share (1997: £40,000)	(7,500,000)	(4,000,000)
	Net addition to/(reduction in) shareholders' funds	(3,798,378)	4,612,999
	Opening shareholders' funds	27,859,207	23,246,208
	Closing shareholders' funds	24,060,829	27,859,207
13.	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.		
14.	RELATED PARTY DISCLOSURES		
	The company is exempt from disclosing transactions with companies within the same group as it is a wholly owned subsidiary of a company which publishes consolidated financial statements.		
15.	ULTIMATE HOLDING COMPANY		
	The company's ultimate holding company is Lazard Brothers & Co., Limited, a company incorporated in the United Kingdom and registered in England and Wales.		
	Copies of the parent's consolidated financial statements may be obtained from The Secretary, Lazard Brothers & Co., Limited, 21 Moorfields, London, EC2P 2HT.		