

**LAZARD ITALY LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR TO 30 NOVEMBER 2007**  
**REGISTERED NUMBER: 3536047**

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## **LAZARD ITALY LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year to 30 November 2007

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

### **PRINCIPAL ACTIVITY**

The Company is an investment holding company. Its principal subsidiary is a holding company for a group of companies carrying on investment banking business in Italy.

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The Company intends to remain an investment holding company. On 30 January 2007 Casinvest SA a subsidiary of Maison Lazard SAS, subscribed for 500,000 preference shares of £1 each, fully paid.

### **RESULTS**

The profit on ordinary activities after tax was £271,306 (2006 £50,776 loss)

### **DIRECTORS DURING THE YEAR**

The directors who served during the year and up to the date of signing are shown below

V C Cole (appointed 20 March 2007)

J R White (resigned 15 October 2007)

R J Rountree

C Sims (resigned 2 April 2007)

### **COMPANY SECRETARY**

R J Farrer-Brown (appointed 31 May 2007)

J C Nightingale (resigned 15 March 2007)

D A J Watson (appointed 15 March 2007, resigned 31 May 2007)

In accordance with the Company's articles of association and subject to the provisions of and so far as may be permitted by law, directors are indemnified by the Company out of its own funds against all costs, charges, losses, expenses and liabilities incurred by them in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and/or otherwise in relation to or in connection with their duties, powers or office.

### **AUDITORS**

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.

Each of the persons who is a director at the date of approval of the report confirms that

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Relevant audit information is defined as information needed by the Company's auditors in connection with preparing their report (S234ZA(3)).

## **LAZARD ITALY LIMITED**

### **REPORT OF THE DIRECTORS (continued)**

#### **DIRECTORS' INTERESTS**

Mrs Cole and Mr Rountree are and Mrs Sims was, directors of the ultimate parent company in the UK, Lazard & Co , Holdings Limited. None of the directors have any interest in the shares or debentures of any group company that are required to be disclosed in accordance with the Companies Act 1985

All those who were directors at 30 November 2007 have been allocated Restricted Stock Units in Lazard Ltd

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP)

United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- (a) select suitable accounting policies and then apply them consistently,
- (b) make judgements and estimates that are reasonable and prudent,
- (c) state whether applicable accounting standards have been followed, and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 financial statements comply with the Companies Act 1985. 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

Approved by the Board of Directors and signed on behalf of the Board



Director / Secretary

50 Stratton Street  
London W1J 8LL

19<sup>th</sup> March 2008

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LAZARD ITALY LIMITED**

We have audited the financial statements of Lazard Italy Limited for the year to 30 November 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 November 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London, England

20<sup>th</sup> March 2008

**LAZARD ITALY LIMITED****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 NOVEMBER 2007**

	Notes	2007 £	2006 £
Administrative expense		(100)	(50 752)
Other income	1	258,723	-
OPERATING PROFIT / (LOSS)		258,623	(50,752)
Interest receivable	1	20,667	464
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		279,290	(50,288)
Tax charge on profit / (loss) on ordinary activities	3	(7,984)	(488)
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		271,306	(50,776)

The Company has no recognised gains or losses other than as shown above and therefore no statement of total recognised gains and losses has been presented. A reconciliation of the movement in shareholders' funds is shown in note 8.

All activities derive from continuing operations.

The notes on pages 6 to 9 form an integral part of these accounts.

**LAZARD ITALY LIMITED**

**BALANCE SHEET AT 30 NOVEMBER 2007**

	Notes	2007 £	2006 £
FIXED ASSETS			
Investments in subsidiaries	4	<u>12,791,023</u>	<u>12,791,023</u>
CURRENT ASSETS			
Cash at bank and in hand		642,738	115,313
Debtors	5	<u>4,457,954</u>	<u>4,214,073</u>
NET CURRENT ASSETS		<u>5,100,692</u>	<u>4,329,386</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,891,715</u>	<u>17,120,409</u>
 CAPITAL AND RESERVES			
Called up share capital	6	4,499,717	3,999,717
Profit and loss account	7	<u>13,391,998</u>	<u>13,120,692</u>
SHAREHOLDERS' FUNDS	8	<u>17,891,715</u>	<u>17,120,409</u>

The financial statements were approved by the Board of Directors on 19<sup>th</sup> March 2008

Signed on behalf of the Board of Directors



Director



## **LAZARD ITALY LIMITED**

### **NOTES TO THE ACCOUNTS** **FOR YEAR ENDED 30 NOVEMBER 2007**

#### **1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the provisions of the Companies Act 1985 and applicable accounting standards in the United Kingdom. The particular accounting policies which have been applied are set out below.

##### **a) Basis of accounting**

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

##### **b) Group accounts**

Group accounts of the Company and its subsidiaries have not been prepared because the Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the Company is a majority owned subsidiary undertaking incorporated in Great Britain and registered in England and Wales.

##### **c) Interest**

Interest receivable and payable is accounted for on an accruals basis.

##### **d) Fixed asset investments**

Fixed asset investments are held at the lower of cost and net realisable value.

##### **e) Foreign exchange**

Transactions in foreign currencies are translated into sterling at current 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.

##### **f) Dividends**

Dividends are recognised in the period in which they are declared and become present obligations of the Company.

##### **g) Current tax**

Current tax, including UK corporation tax, is recorded at amounts expected to be recovered or paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

##### **h) Other Income**

Other income comprises foreign exchange differences and other sundry income and is accounted for on an accrual basis.

#### **2. DIRECTORS' EMOLUMENTS AND AUDITORS' REMUNERATION**

There were no directors' fees or other emoluments for their services to this Company during the current or previous years. The Company has no employees (2006: none). The auditors' remuneration in the current year for audit services was £2,000 (2006: £3,000) and is borne by a related company.

## **LAZARD ITALY LIMITED**

### **NOTES TO THE ACCOUNTS FOR YEAR ENDED 30 NOVEMBER 2007 (continued)**

#### **3. TAXATION**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
UK corporate tax at 30% (2006 30%)	7,984	-
Prior year adjustment	-	488
Tax charge on profit on ordinary activities	<u>7,984</u>	<u>488</u>

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 30% (2006 30%) The current period tax charge for 2007 is less than 30% for the reasons set out in the following reconciliation

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit / (loss) on ordinary activities before tax	<u>279 290</u>	<u>(50,288)</u>
Tax on profit / (loss) on ordinary activities at standard rate	83,787	(15,086)
Factors affecting charge		
Disallowable expenses	31	-
Prior year adjustment	-	488
Losses brought forward	(274)	274
Exchange (gain) / loss not taxable	<u>(75,560)</u>	<u>14,812</u>
Current tax charge for the year	<u>7 984</u>	<u>488</u>

#### **4. INVESTMENTS**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
At 1 December and 30 November	<u>12,791,023</u>	<u>12,791,023</u>

The principal investment is a 100% holding in Lazard Investments S r l, an Italian holding company for the Lazard group in Italy The principal subsidiary in Italy is Lazard & Co S r l which carries on an investment banking advisory business and is 60% controlled by Lazard Investments S r l Until May 2006 the remaining 40% was held by Banca Intesa S p A ("Intesa") Following termination of the joint venture between Lazard Group LLC and Intesa, Lazard Group LLC acquired the 40% interest

The company also held a 100% interest in Haojile Five Limited, which is registered in England and Wales and carries on no significant activity



**LAZARD ITALY LIMITED****NOTES TO THE ACCOUNTS  
FOR YEAR ENDED 30 NOVEMBER 2007 (continued)****5. DEBTORS**

	2007	2006
	£	£
Amounts due from related parties	1	1
Unpaid share capital	1	1
Foreign tax	4,457,952	4,214,071
	<u>4,457,954</u>	<u>4,214,073</u>

**6. SHARE CAPITAL**

	2007	2006
	£	£
Authorised		
4,000,000 Ordinary shares of £1 each	4,000,000	4,000,000
500,000 Preference shares of £1 each	500,000	-
	<u>4,500,000</u>	<u>4,000,000</u>
Allotted, called and fully paid		
3,999,716 Ordinary shares of £1 each	3,999,716	3,999,716
Allotted, called and unpaid		
1 Ordinary share of £1	1	1
Allotted, called and fully paid		
500,000 Preference shares of £1 each	500,000	-

The Company increased the share capital by £500,000 by the creation of 500,000 non-cumulative, non-redeemable preference shares of £1 each

**7. RESERVES**

	2007	2006
	£	£
At 1 December	13,120,692	13,171,468
Retained profit / (loss) for the year	271,306	(50,776)
At 30 November	<u>13,391,998</u>	<u>13,120,692</u>

**8. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2007	2006
	£	£
Retained profit / (loss) for the year	271,306	(50,776)
Preference share issue	500,000	-
Opening shareholders' funds	17,120,409	17,171,185
Closing shareholders' funds	<u>17,891,715</u>	<u>17,120,409</u>

## **LAZARD ITALY LIMITED**

### **NOTES TO THE ACCOUNTS** **FOR YEAR ENDED 30 NOVEMBER 2007 (continued)**

#### **9. CASH FLOW STATEMENT**

The Company is a 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

#### **10. RELATED PARTY DISCLOSURES**

The Company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard 8, and accordingly has not disclosed transactions with entities that are part of the same group. There were no other related party transactions requiring disclosure.

#### **11. ULTIMATE PARENT COMPANY**

Lazard Ltd, a Bermudian company, is the parent company of the largest group which includes the Company and for which group accounts are to be prepared. The Company's ultimate parent company and ultimate controlling party is LAZ-MD Holdings LLC, a Delaware Limited Liability Company.

The parent company of the smallest group which includes the Company, and for which group accounts are to be prepared, is Lazard & Co, Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

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

The Company's immediate controlling party is Lazard & Co, Limited, a company incorporated in Great Britain and registered in England and Wales.