

LAZARD & CO., EUROPE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
REGISTERED NUMBER: 3620647

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LAZARD & CO , EUROPE LIMITED

REPORT OF THE DIRECTORS

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company will remain an investment holding company for the foreseeable future

On 31 January 2007, as part of a reorganisation of the ownership of certain subsidiaries within the Lazard Group, the Company sold its holdings in Lazard & Co , GmbH and Lazard BV to Maison Lazard SAS for \$54,000,000 (£27,648,216), realising a profit of £27,188,435 before and after tax. Following the sale of investments, a dividend was declared and paid on 13 March 2007 of £27,188,433

RESULTS

The Company made a profit after tax of £27,188,433 (2006 £3,009 loss). A dividend of £27,188,433 (2006 £421,488) was paid in the year.

DIRECTORS DURING THE YEAR

The names of the directors who served throughout the year, are as follows

M Gonatas

R J Rountree

J A Rosen

C Sims (resigned 2 April 2007)

J R White (resigned 15 October 2007)

COMPANY SECRETARY

R Farrer-Brown (appointed 31 May 2007)

J C Nightingale (appointed 1 April 2006, 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 certain 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.

LAZARD & CO., EUROPE LIMITED

REPORT OF THE DIRECTORS (continued)

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))

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 March 2008

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LAZARD & CO., EUROPE LIMITED

We have audited the financial statements of Lazard & Co, Europe Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 31 December 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

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, England

20th
March 2008

LAZARD & CO., EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Operating expenses		(2)	(3,009)
Profit on sale of fixed asset investment	3	<u>27,188,435</u>	<u>-</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		27,188,433	(3,009)
Taxation	5	<u>-</u>	<u>-</u>
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		<u>27,188,433</u>	<u>(3,009)</u>

The Company has no recognised gains and 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 9.

All activities derive from continuing operations.

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

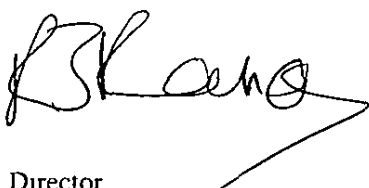
LAZARD & CO., EUROPE LIMITED

BALANCE SHEET AT 31 DECEMBER 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Investments	4	-	459,781
CURRENT ASSETS			
Debtors	6	481,732	21,951
NET CURRENT ASSETS		481,732	21,951
NET ASSETS		481,732	481,732
CAPITAL AND RESERVES			
Called up share capital	7	481,732	481,732
Profit and loss account	8	-	-
SHAREHOLDERS' FUNDS	9	481,732	481,732

These financial statements were approved by the Board of Directors on 19th March 2008

Signed on behalf of Directors


Director



LAZARD & CO., EUROPE LIMITED

NOTES TO THE ACCOUNTS **FOR THE YEAR ENDED 31 DECEMBER 2007**

1. ACCOUNTING POLICIES

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

a) The 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) Investments

Investments held as fixed assets are held at cost less provision for any impairment.

d) Foreign exchange gains and losses

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.

e) 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.

f) Dividends

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

2. DIRECTORS' EMOLUMENTS, EMPLOYEES 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.

3. PROFIT ON SALE OF FIXED ASSET INVESTMENT

	2007 £	2006 £
Profit on sale of fixed asset investment	<u>27,188,435</u>	<u>-</u>

On 31 January 2007, as part of a reorganisation of the ownership of certain subsidiaries within the Lazard Group, the Company sold its holdings in Lazard & Co., GmbH and Lazard BV to Maison Lazard SAS for \$54,000,000 (£27,648,216), realising a profit of £27,188,435 before and after tax.

LAZARD & CO., EUROPE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007 (continued)

4. INVESTMENTS

	£
COST AND NET BOOK VALUE	
At 1 January 2007	459,781
Disposals	(459,781)
Net book value at 31 December 2007	-
Net book value at 31 December 2006	459,781

Investments comprised of a 100% holding in Lazard Sp z o o , a company incorporated in Poland, a 33¹/₃% holding in Lazard & Co GmbH, a company incorporated in Germany and a 100% in Lazard BV, a company incorporated in the Netherlands. All investments were unlisted.

Lazard Sp z o o has ceased to trade. The investment was written down to £nil in 2002 and was liquidated on 15 May 2007. Lazard & Co GmbH and Lazard BV are principally engaged in the business of investment banking and were sold on 31 January 2007.

5. TAXATION

	2007 £	2006 £
UK corporation tax at 30%		
Adjustment in respect of prior year	-	-
	-	-

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

	2007 £	2006 £
Profit / (loss) on ordinary activities before tax (including foreign exchange gains)	27,188,433	(3,009)
Tax on profit / (loss) on ordinary activities at standard rate	8,156,530	(903)
Factors affecting charge		
Losses for credit not taken	1	-
Non taxable gain	(8,156,531)	
Exchange loss	-	903
Tax for the year	-	-

6. DEBTORS

	2007 £	2006 £
Amounts due from parent undertaking	481,732	21,949
Other debtors	-	2
	481,732	21,951

LAZARD & CO., EUROPE LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007

7. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
481,732 (2006 481,732) ordinary shares of £1 (2006 £1) each	<u>481,732</u>	<u>481,732</u>
Allotted, called up and fully paid		
481,732 (2006 481,732) ordinary shares of £1 (2006 £1) each	<u>481,732</u>	<u>481,732</u>

8. RESERVES

	Profit and Loss Account
At 1 January 2007	-
Profit for the year	27,188,433
Dividends paid on equity shares	<u>(27,188,433)</u>
At 31 December 2007	<u>-</u>

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Profit / (loss) for the financial year	27,188,433	(3,009)
Dividends paid on equity shares	<u>(27,188,433)</u>	<u>(421,488)</u>
Loss for the year	-	(424,497)
Opening shareholders' funds	<u>481,732</u>	<u>906,229</u>
Closing shareholders' funds	<u>481,732</u>	<u>481,732</u>

10. CASH FLOW STATEMENT

The Company is exempt from preparing a cash flow statement under paragraph 5 of Financial Reporting standard No 1 (revised 1996) "Cash Flow Statements"

LAZARD & CO., EUROPE LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

11. 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.

12. 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 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 parent and controlling party is Lazard & Co, Limited, a company incorporated in Great Britain and registered in England and Wales.