

LAZARD FUND MANAGERS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009
INCORPORATED IN GREAT BRITAIN
REGISTERED NUMBER: 1970853

| <u>CONTENTS</u> | <u>PAGE</u> |
|------------------------------------|--------------------|
| Report of the Directors | 1 - 3 |
| Report of the Independent Auditors | 4 |
| Profit and Loss Account | 5 |
| Balance Sheet | 6 |
| Notes on the Financial Statements | 7 – 11 |

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07/05/2010
COMPANIES HOUSE

LAZARD FUND MANAGERS LIMITED

BOARD OF DIRECTORS

M R Chapman
W J Smith (Chief Executive)
C W Wilson

J Reinsberg (appointed 9 June 2009)
G Mazzari (appointed 9 June 2009)
A Bhutani (appointed 9 June 2009)

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 2009

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company is a wholly-owned subsidiary of Lazard Asset Management Ltd and acts as authorised corporate director to Lazard Investment Funds and Lazard Portfolio Funds, both are open ended investment companies. There have not been any significant changes in the company's principal activities in the year under review and the company expects to continue to trade in this way for the foreseeable future.

At the end of the year there were 11 sub-funds of Lazard Investment Funds, one common investment fund under management and Lazard Portfolio Funds, under which there were two sub-funds.

Total average assets under management for the year of £1,298,231,178 (2008 £1,483,051,177), 13% lower than the prior year, mainly through falling underlying market valuations. Reduced average fund values, combined with increasing fee rebates, resulted in annual revenues of £9,180,098 (2008 £11,629,220), 21% down on prior year.

The profit for the year after taxation was £42,900 (2008 loss £374,872). No ordinary dividend has been declared or proposed in 2009 or 2008. A dividend for 2007 in the amount of £3,500,000 was approved by the Board and paid on the 27 March 2008.

Principal risks and uncertainties faced by the company include the loss of clients and withdrawal of assets under management due to influences from general market conditions, product types and the performance of the company's strategies. In order to mitigate these risks, the Lazard Asset Management group exerts strong control and oversight over its strategies and funds through the Lazard Investment Council, a management committee comprised of the group's senior investment specialists. The company also calls on strong and experienced Marketing and Client Services departments to ensure clients are kept aware of market conditions and Lazard's relative performance through regular client meetings and reporting.

There have been no changes to the allotted share capital during the year.

The company is regulated by the Financial Services Authority.

FINANCIAL RISK MANAGEMENT

The Lazard Asset Management group takes appropriate steps to minimise the impact of operational risks faced by the company through the operation of its Management Committee which oversees the company's risks and ensures that the company creates and implements processes to identify, measure and monitor those risks.

The company does not have any involvement in the use of financial instruments and the associated market risks of holding or trading in such instruments.

Credit risk is limited to amounts receivable through direct deduction of management fees from mutual funds by the Trustees.

LAZARD FUND MANAGERS LIMITED

REPORT OF THE DIRECTORS (Continued)

Liquidity risk is limited to cash and cash equivalents that are held in interest bearing current accounts or short-term deposits with major financial institutions. The company also assesses the adequacy of its liquidity on a constant basis through its obligations under the regulatory requirements of the Financial Services Authority.

The Management Committee monitors the impact of cash flow risk on an ongoing basis.

Regarding the disclosures required under the Basel II Pillar 3 regulations, it is the Group's belief that such disclosures are adequately covered in the Lazard Ltd consolidated financial statements (SEC Form 10-K) as of the year ended 31 December 2009 and as filed on 1 March 2010.

GOING CONCERN BASIS

As stated on the balance sheet on page 6, the company has considerable financial resources and as a consequence the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

The names of the present directors who served throughout the year, except as noted otherwise, are shown on page 1.

J Reinsberg, A Bhutani and G Mazzari were all appointed as directors on 9 June 2009.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

LAZARD FUND MANAGERS LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

Each of the directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors. A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting

BY ORDER OF THE BOARD

H Regan
Company Secretary



50 Stratton Street
London W1J 8LL

23 April 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAZARD FUND MANAGERS LIMITED

We have audited the financial statements of Lazard Fund Managers Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

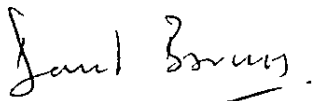
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



David Barnes (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

23 April 2010

LAZARD FUND MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 31 DECEMBER 2009**

| | <u>Notes</u> | <u>2009</u> | <u>2008</u> |
|---|--------------|-------------|--------------|
| | | £ | £ |
| Turnover | 2 | 9,180,098 | 11,629,220 |
| Administrative expenses | 3 | (9,170,960) | (12,460,274) |
| Operating profit / (loss) | | 9,138 | (831,054) |
| Interest receivable | | 52,096 | 292,760 |
| Interest payable | | (3,317) | (1) |
| Other income | 4 | 1,666 | 2,763 |
| Profit / (loss) on ordinary activities before taxation | | 59,583 | (535,532) |
| Tax (charge) / credit on ordinary activities | 5 | (16,683) | 160,660 |
| Profit / (loss) for the financial year | 9, 11 | 42,900 | (374,872) |

No gains or losses have been recognised in these financial statements in the current or prior year other than those reflected in the profit and loss account above 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 11



All activities of the company are regarded as continuing

The notes on pages 7 to 11 form an integral part of these financial statements

LAZARD FUND MANAGERS LIMITED**BALANCE SHEET AT 31 DECEMBER 2009**

| | <u>Notes</u> | <u>2009</u> | <u>2008</u> |
|-----------------------------------|--------------|-------------|-------------|
| | | £ | £ |
| Current Assets | | | |
| Investments | | 35,847 | 24,326 |
| Debtors | 6 | 8,888,422 | 6,975,572 |
| Cash at bank and in hand | | 2,654,179 | 4,242,516 |
| | | <hr/> | <hr/> |
| | | 11,578,448 | 11,242,414 |
| Current liabilities | | | |
| Creditors due within one year | 7 | (7,419,434) | (7,126,300) |
| | | <hr/> | <hr/> |
| Net current assets | | 4,159,014 | 4,116,114 |
| | | <hr/> | <hr/> |
| Net Assets | | 4,159,014 | 4,116,114 |
| | | <hr/> | <hr/> |
| Capital and Reserves | | | |
| Called up share capital | 8 | 1,950,000 | 1,950,000 |
| Profit and loss account | 9 | 2,209,014 | 2,166,114 |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | 11 | 4,159,014 | 4,116,114 |
| | | <hr/> | <hr/> |

The financial statements on pages 5 to 11 were approved by the Board of Directors and authorised for issue on 23 April 2010. They were signed on its behalf by

 Directors 

The notes on page 7 to 11 form an integral part of these financial statements.
Company Registration Number 1970853

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2009**

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention. The going concern basis of preparation is adopted as explained in the Report of the Directors on page 2.

b) Turnover

Turnover represents investment management fees receivable during the year and net income from transactions in units during the year as reflected in note 2 and is derived entirely from activities performed in the United Kingdom.

c) Taxation

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

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.

d) Interest receivable and payable

All interest receivable and payable is reflected in the profit and loss account as it accrues.

e) Dividends

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

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

2 TURNOVER

| | <u>2009</u> £ | <u>2008</u> £ |
|--|--------------------|----------------------|
| Transactions in units of the unit trusts under management | | |
| Units sold | 354,291,589 | 398,530,704 |
| Units liquidated | 250,923,862 | 617,200,060 |
| | <u>605,215,451</u> | <u>1,015,730,764</u> |
| Costs of units sold and liquidated | (605,137,968) | (1,015,712,470) |
| Net income from transactions in units | 77,483 | 18,294 |
| Management fees | 9,102,615 | 11,610,926 |
| | <u>9,180,098</u> | <u>11,629,220</u> |

3 ADMINISTRATIVE EXPENSES

- a) The company has no direct employees (2008 none) The directors receive no emoluments in respect of their services as directors of the company (2008 £nil) The directors, and other staff involved in the company's operations, are employed by Lazard Asset Management Limited, are remunerated by that company and that remuneration is included in a management charge levied by that company
- b) Audit fees are charged to and paid by Lazard Asset Management Limited The amount allocated to the company in 2009 was £23,500 (2008 £15,742)

4 OTHER INCOME

Other income in 2009, which totalled £1,666 (2008 £2,763), primarily related to trail commission from investments generated through the Cofunds platform

| 5 TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES | <u>2009</u> £ | <u>2008</u> £ |
|--|------------------|------------------|
| Corporation tax | | |
| Corporation tax charge / (credit) for the year | 16,683 | (160,660) |
| Total tax on profit / (loss) on ordinary activities | <u>16,683</u> | <u>(160,660)</u> |

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 28% (2008 28.5%) The current year tax charge reconciles to the 28% as set out below

| | <u>2009</u> <u>£</u> | <u>2008</u> <u>£</u> |
|--|---------------------------------------|---------------------------------------|
| Profit / (loss) on ordinary activities before tax | 59,583 | (535,532) |
| Tax on profit / (loss) on ordinary activities at standard rate | 16,683 | (152,627) |
| Factors affecting charge | | |
| Losses carried back relieved at the higher rate | - | (8,033) |
| Total tax on profit / (loss) on ordinary activities | 16,683 | (160,660) |
| 6 DEBTORS | <u>2009</u> <u>£</u> | <u>2008</u> <u>£</u> |
| Amounts due within one year | | |
| Trade debtors | 8,069,825 | 6,157,691 |
| Amounts due from group undertakings | 699,145 | - |
| Prepayments and accrued income | 33,542 | 38,699 |
| Corporation tax | - | 731,767 |
| Other debtors | 85,910 | 47,415 |
| | 8,888,422 | 6,975,572 |
| 7 CREDITORS | <u>2009</u> <u>£</u> | <u>2008</u> <u>£</u> |
| Amounts payable within one year | | |
| Trade creditors | 7,176,114 | 6,820,435 |
| Amounts owed to group undertakings | - | 56,878 |
| Accruals and deferred income | 192,293 | 157,389 |
| Corporation tax | 16,683 | - |
| Other creditors | 34,344 | 91,598 |
| | 7,419,434 | 7,126,300 |
| 8 SHARE CAPITAL | <u>2009</u> <u>£</u> | <u>2008</u> <u>£</u> |
| Allotted, called up and fully paid | | |
| 1,950,000 (2008 1,950,000 ordinary shares of £1 each) | 1,950,000 | 1,950,000 |

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

| | | | |
|---|--|--------------------------------|--------------------------------|
| 9 | RESERVES | <u>2009</u> £ | <u>2008</u> £ |
| | Profit and loss account | | |
| | At 1 January | 2,166,114 | 6,040,986 |
| | Profit / (loss) for the financial year | 42,900 | (374,872) |
| | Dividends paid | - | (3,500,000) |
| | | <hr/> | <hr/> |
| | At 31 December | 2,209,014 | 2,166,114 |
| | | <hr/> | <hr/> |

10 **DIVIDENDS ON EQUITY SHARES**

| | | |
|---|--------------------------------|--------------------------------|
| | <u>2009</u> £ | <u>2008</u> £ |
| Amounts recognised as distributions to equity holders in the period | | |
| Dividend for the year ended 31 December | - | 3,500,000 |
| | <hr/> | <hr/> |
| | - | 3,500,000 |
| | <hr/> | <hr/> |

The dividend paid in 2008 was paid out of 2007 profits at 179 487p per ordinary share

11 **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| | | |
|--|--------------------------------|--------------------------------|
| | <u>2009</u> £ | <u>2008</u> £ |
| Profit / (loss) for the financial year | 42,900 | (374,872) |
| Dividends paid | - | (3,500,000) |
| | <hr/> | <hr/> |
| Net increase / (decrease) in shareholders' funds | 42,900 | (3,874,872) |
| Opening shareholders' funds | 4,116,114 | 7,990,986 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 4,159,014 | 4,116,114 |
| | <hr/> | <hr/> |

12 **CASH FLOW STATEMENT**

The company is a member of a group whose parent company publishes consolidated financial statements that include a consolidated cash flow statement. The company has therefore taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 paragraph 5(a) revised 1996.

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

13 RELATED PARTY DISCLOSURES

The company is exempt from disclosing transactions, under FRS 8 paragraph 3(c), with members of the group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group

14 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 prepared. The company's ultimate parent company and ultimate controlling party is Lazard Ltd.

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

The parent company of the smallest group, which includes the company and for which group accounts are to be prepared, is Lazard Asset Management (UK) Holdings Limited, a company incorporated in Great Britain and registered in England and Wales.

Copies of the Lazard Asset Management (UK) Holdings Limited financial statements may be obtained from The Secretary, Lazard Asset Management (UK) Holdings Limited, 50 Stratton Street, London W1J 8LL.

Copies of Lazard Ltd financial statements may be obtained from The Secretary, Lazard Ltd, 30 Rockefeller Plaza, New York, NY 10020, USA.

15 SUBSEQUENT EVENTS

There were no subsequent events after the balance sheet date.