

LAZARD FUND MANAGERS LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010
INCORPORATED IN GREAT BRITAIN
REGISTERED NUMBER: 1970853

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LAZARD FUND MANAGERS LIMITED

BOARD OF DIRECTORS

W J Smith (Chief Executive)
A Bhutani
M Allen (appointed 13 January 2011)

J Reinsberg
G Mazzari
M R Chapman (retired 28 January 2011)

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 2010

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 12 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 grew through the year by £326,332,062 (25%) to £1,624,563,240 (2009 £1,298,231,178), through both contributions and increasing underlying market valuations. Increased average fund values resulted in annual revenues of £12,827,407 (2009 £9,180,098), a 40% increase on the prior year.

The profit for the year after taxation was £250,791 (2009 £42,900). No ordinary dividend has been declared or proposed in 2010 or 2009.

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 Oversight Committee, a global asset management committee based in New York and comprised of the group's head of risk, senior management and investment professionals. 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)

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, cash and cash equivalents 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 2010 and as filed on 28 February 2011.

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. C W Wilson resigned on 8 July 2010. M R Chapman retired on 28 January 2011. M Allen was appointed as a director on 13 January 2011.

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 proper 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 to 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

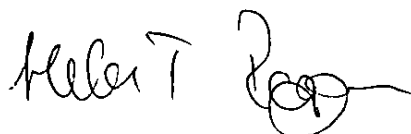
Each of the directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is 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 auditor. 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

20 April 2011

INDEPENDENT AUDITOR'S 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 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 auditor's 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 auditor

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 and express an opinion on 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 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 2010 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 Auditor
London, United Kingdom

20 April 2011

LAZARD FUND MANAGERS LIMITED

PROFIT AND LOSS ACCOUNT **FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		£	£
Turnover	2	12,827,407	9,180,098
Administrative expenses	3	(12,486,321)	(9,170,960)
Operating profit		341,086	9,138
Interest receivable		3,455	52,096
Interest payable		(291)	(3,317)
Other income	4	4,071	1,666
Profit on ordinary activities before taxation		348,321	59,583
Tax charge on profit on ordinary activities	5	(97,530)	(16,683)
Profit for the financial year	9, 10	250,791	42,900

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 10

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 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		£	£
Current Assets			
Investments		41,267	35,847
Debtors	6	6,290,295	8,888,422
Cash at bank and in hand		7,165,976	2,654,179
		<hr/>	<hr/>
		13,497,538	11,578,448
Current liabilities			
Creditors due within one year	7	(9,087,733)	(7,419,434)
		<hr/>	<hr/>
Net current assets		4,409,805	4,159,014
		<hr/>	<hr/>
Net Assets		4,409,805	4,159,014
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	8	1,950,000	1,950,000
Profit and loss account	9	2,459,805	2,209,014
		<hr/>	<hr/>
Equity shareholders' funds	10	4,409,805	4,159,014
		<hr/>	<hr/>

The financial statements on pages 5 to 11 were approved by the Board of Directors and authorised for issue on 20 April 2011. They were signed on its behalf by



Directors

W. Smith


M. Allen

The notes on pages 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 2010**

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 2010 (continued)**

2. TURNOVER

	<u>2010</u> £	<u>2009</u> £
Transactions in units of the unit trusts under management		
Units sold	500,149,775	354,291,589
Units liquidated	458,056,140	250,923,862
	<u>958,205,915</u>	<u>605,215,451</u>
Costs of units sold and liquidated	<u>(958,032,416)</u>	<u>(605,137,968)</u>
Net income from transactions in units	173,499	77,483
Management fees	<u>12,653,908</u>	<u>9,102,615</u>
	<u>12,827,407</u>	<u>9,180,098</u>

3 ADMINISTRATIVE EXPENSES

- a) The company has no direct employees (2009 none) The directors receive no emoluments in respect of their services as directors of the company (2009 £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 2010 was £24,000 (2009 £23,500)

4 OTHER INCOME

Other income in 2010, which totalled £4,071 (2009 £1,666), primarily related to trail commission from investments generated through the Cofunds platform

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2010</u> £	<u>2009</u> £
Corporation tax		
Corporation tax charge for the year	97,530	16,683
	<u>97,530</u>	<u>16,683</u>
Total tax on profit on ordinary activities	<u>97,530</u>	<u>16,683</u>

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

The standard rate of current tax for the year, based on the UK standard rate of corporation tax, is 28% (2009 28%) The current year tax charge reconciles to the 28% as set out below

	<u>2010</u> <u>£</u>	<u>2009</u> <u>£</u>
Profit on ordinary activities before tax	348,321	59,583
Tax on profit on ordinary activities at standard rate	97,530	16,683
Total tax on profit on ordinary activities	97,530	16,683
6 DEBTORS	<u>2010</u> <u>£</u>	<u>2009</u> <u>£</u>
Amounts due within one year		
Trade debtors	6,243,339	8,069,825
Amounts due from group undertakings	-	699,145
Prepayments and accrued income	34,301	33,542
Other debtors	12,655	85,910
	6,290,295	8,888,422
7 CREDITORS	<u>2010</u> <u>£</u>	<u>2009</u> <u>£</u>
Amounts payable within one year		
Trade creditors	6,384,606	7,176,114
Amounts owed to group undertakings	2,366,397	-
Accruals and deferred income	191,375	192,293
Corporation tax	97,530	16,683
Other creditors	47,825	34,344
	9,087,733	7,419,434
8 SHARE CAPITAL	<u>2010</u> <u>£</u>	<u>2009</u> <u>£</u>
Allotted, called up and fully paid		
1,950,000 (2009 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 2010 (continued)**

9	RESERVES	<u>2010</u>	<u>2009</u>
		£	£
	Profit and loss account		
	At 1 January	2,209,014	2,166,114
	Profit for the financial year	250,791	42,900
	Dividends paid	-	-
	At 31 December	<u>2,459,805</u>	<u>2,209,014</u>

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

	<u>2010</u>	<u>2009</u>
	£	£
Profit for the financial year	250,791	42,900
Dividends paid	-	-
Net increase in shareholders' funds	<u>250,791</u>	<u>42,900</u>
Opening shareholders' funds	4,159,014	4,116,114
Closing shareholders' funds	<u>4,409,805</u>	<u>4,159,014</u>

11 **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.

12 **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.

LAZARD FUND MANAGERS LIMITED

NOTES ON THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2010 (continued)**

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

14 SUBSEQUENT EVENTS

There were no subsequent events after the balance sheet date.