

**LAZARD FUND MANAGERS LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER, 2001**  
**REGISTERED NUMBER: 1970853**

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## **LAZARD FUND MANAGERS LIMITED**

### **BOARD OF DIRECTORS**

R P A Tyer (Managing Director)  
M R Chapman  
A D Hanson  
M A D Holden (resigned 13 February 2002)  
A R Jupp  
R F Smith  
C W Wilson

### **REPORT OF THE DIRECTORS**

The directors present their report and the financial statements for the year ended 31 December, 2001.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company trades as a unit trust manager and authorised corporate director to Lazard Investment Funds, an open ended investment company. The company expects to continue to trade in this way for the foreseeable future. At the end of the year there were three authorised unit trusts, one common investment fund and fourteen sub-funds of Lazard Investment Funds under management.

The Company is regulated by The Financial Services Authority.

### **RESULTS FOR THE YEAR**

The loss for the year after taxation was £74,001 (2000 profit £505,712 as restated). No dividend has been paid or declared during the year (2000: £500,000).

### **DIRECTORS**

The present directors are listed above.

### **DIRECTORS' INTERESTS**

None of the directors had any interests in the shares of the company. Mr R F Smith held loan notes in Lazard & Co., Holdings Limited, a fellow group company, totalling £10,472 at the beginning of the year and none at the end of the year.

## **LAZARD FUND MANAGERS LIMITED**

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

#### **DIRECTORS' RESPONSIBILITIES**

The directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the period. In preparing those financial statements, the directors confirm that suitable accounting policies have been used and applied consistently, they have made estimates that are reasonable and prudent and 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 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 the system of internal controls, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



21 Moorfields  
London EC2P 2HT

29 April 2002

## **LAZARD FUND MANAGERS LIMITED**

### **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 2001 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of the directors and auditors**

As described in the statements of directors' responsibilities, the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 Company's Act 1985. We also report if, in our opinion, the director's report is not consistent with the financial statements, if the directors have 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 transactions with the company is not disclosed.

*We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.*

#### **Basis of Opinion**

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

29 April 2002

**LAZARD FUND MANAGERS LIMITED****PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**

	<u>Note</u>	<u>2001</u> £	<u>2000</u> <u>(as restated)</u> £
<b>Turnover</b>	3	10,143,020	11,085,884
Administrative expenses	4	(10,991,069)	(10,564,278)
		<hr/>	<hr/>
Operating (loss)/ profit		(848,049)	521,606
Interest receivable		122,334	200,840
Other income	5	620,000	-
		<hr/>	<hr/>
<b>(Loss)/Profit on Ordinary Activities Before Taxation</b>		(105,715)	722,446
Tax credit/(charge) on (loss)/ profit on ordinary activities	6	31,714	(216,734)
		<hr/>	<hr/>
<b>(Loss)/Profit on Ordinary Activities After Taxation</b>		(74,001)	505,712
Dividends - paid during the year		-	(500,000)
		<hr/>	<hr/>
<b>Transfer(from)/to Reserves</b>	11	(74,001)	5,712
		<hr/>	<hr/>

A reconciliation of the movement in shareholders' funds is shown in note 12.

All activities of the company are regarded as continuing.

There is no difference between the profit on ordinary activities before taxation and the transfer (from)/to reserves stated above, and their historical cost equivalents.

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

**LAZARD FUND MANAGERS LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2001**

	<u>Note</u>	<b>2001</b>	<b>2000</b>
		<b>£</b>	<b>(as restated)</b>
(Loss) / Profit attributable to shareholders		(74,001)	505,712
Prior period adjustment	2	<u>(399,013)</u>	<u>-</u>
Total recognised gains or losses since last annual report		<u>(473,014)</u>	<u>505,712</u>

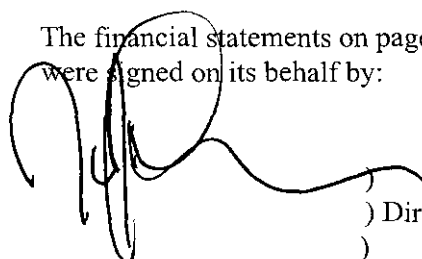
The notes on pages 7 to 11 form an integral part of these financial statements.

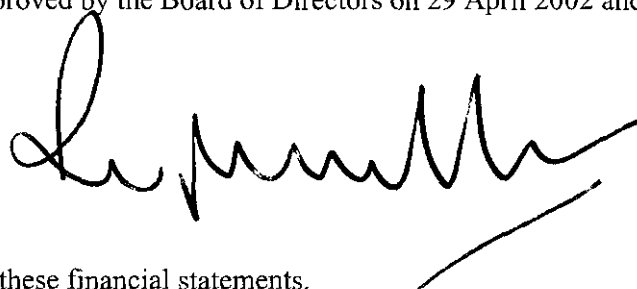
# **LAZARD FUND MANAGERS LIMITED**

## **BALANCE SHEET AT 31 DECEMBER 2001**

	<u>Note</u>	<u>2001</u> £	<u>2000</u> <u>(as restated)</u> £
<b>Current Assets</b>			
Debtors	7	4,192,527	4,060,892
Cash at bank		1,120,076	3,099,489
		<hr/>	<hr/>
		5,312,603	7,160,381
<b>Current liabilities</b>			
Creditors due within one year	8	3,582,492	5,542,269
		<hr/>	<hr/>
<b>Net current assets</b>		1,730,111	1,618,112
<b>Provision for liabilities and charges</b>	9	186,000	-
		<hr/>	<hr/>
<b>Net Assets</b>		1,544,111	1,618,112
		<hr/>	<hr/>
<b>Capital and Reserves</b>			
Called up share capital	10	50,000	50,000
Profit and loss account	11	1,494,111	1,568,112
		<hr/>	<hr/>
Equity shareholders' funds		1,544,111	1,618,112
		<hr/>	<hr/>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 29 April 2002 and were signed on its behalf by:

  
) Directors  
)



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

## **LAZARD FUND MANAGERS LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2001**

#### **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 convention.

The figures for 2000 have been restated to reflect the necessary correction for a fundamental error then present, in order to give a true and fair view. The nature of this error is disclosed in more detail in note 2.

##### **(b) Turnover.**

Net income from transactions in units is reflected in the profit and loss account in accordance with note 3.

##### **(c) Deferred tax**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current 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 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.

#### **2. RESTATEMENT OF PRIOR YEAR RESULTS**

The restatement of prior year results arises from incorrect accounting records in earlier years following the re-location of the transfer agency records and management accounting to the Company's third party administrators' Dublin office in October 1999. These functions were transferred back to the United Kingdom in August 2000.

Restatement of the profit and loss account and balance sheet for the year ended 31st December 2000 has been made as follows:-

	£
Turnover for the year to 31st December as previously reported	11,660,163
Adjustment in relation to prior year accounting error	(574,279)
Turnover for the year to 31st December 2000 as restated	<u>11,085,884</u>
Administrative expenses for the year to 31st December as previously reported	10,611,151
Adjustment in relation to prior year accounting error	(46,873)
Administrative expenses for the year to 31st December	<u>10,564,278</u>



## **LAZARD FUND MANAGERS LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001(continued )**

#### **2. RESTATEMENT OF PRIOR YEAR RESULTS (continued)**

Interest receivable for the year to 31st December as previously reported	243,452
Adjustment in relation to prior year accounting error	(42,612)
Interest receivable for the year to 31st December 2000 as restated	<u>200,840</u>
Taxation on profit on ordinary activities for the year to 31st December as previously reported	387,739
Adjustment in relation to prior year accounting error	(171,005)
Taxation on profit on ordinary activities for the year to 31st December as restated	<u>216,734</u>
Cash at bank for the year to 31st December as previously reported	3,669,507
Adjustment in relation to prior year accounting error	(570,018)
Cash at bank for the year to 31st December as restated	<u>3,099,489</u>
Creditors for the year to 31st December as previously reported	5,713,274
Adjustment in relation to prior year accounting error	(171,005)
Creditors for the year to 31st December as restated	<u>5,542,269</u>

The adjustments shown above have been determined after exhaustive investigation and there are currently no material claims outstanding. While the directors are satisfied with the outcome of this work to date, there may be implications involving further costs and potential claims. The directors consider, however, that the financial effect of any further implication cannot be determined at this stage.

#### **3. TURNOVER**

	<u>2001</u> £	<u>2000</u> <u>(as restated)</u> £
<b>Transactions in units of the unit trusts under management</b>		
Units sold	310,200,950	235,636,522
Units liquidated	<u>320,400,975</u>	<u>49,935,097</u>
	630,601,925	285,571,619
Costs of units sold and liquidated	(630,476,791)	(285,523,595)
Stamp duty	<u>-</u>	<u>449</u>
Net income from transactions in units	125,134	48,473
Management fees	<u>10,017,886</u>	<u>11,037,411</u>
	<u>10,143,020</u>	<u>11,085,884</u>

## **LAZARD FUND MANAGERS LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001(continued )**

#### **4. ADMINISTRATIVE EXPENSES**

a) The Company has no direct employees. The directors receive no emoluments in respect of their services as directors of the company. 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.

#### **5. OTHER INCOME**

Other income relates to the first tranche of the proceeds of the sale of the Company's fund of funds unit trusts.

#### **6. TAXATION**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>(as restated)</u>
	<u>£</u>	<u>£</u>
<b>UK Corporation tax</b>		
Group relief at 30 % (2000 – 30%)	217,714	(216,734)
Deferred taxation	(186,000)	-
	<hr/>	<hr/>
	31,714	(216,734)
	<hr/>	<hr/>

The company has made a loss for 2001 . All losses are group relieved for full payment.

#### **7. DEBTORS**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>(as restated)</u>
	<u>£</u>	<u>£</u>
<b>Amounts due within one year:</b>		
Taxation	389,673	-
Trade debtors	3,802,854	4,060,892
	<hr/>	<hr/>
	4,192,527	4,060,892
	<hr/>	<hr/>

# LAZARD FUND MANAGERS LIMITED

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)

### 8. CREDITORS

	<u>2001</u>	<u>2000</u> (as restated)
	£	£
Amounts due within one year:		
Trade creditors	3,182,492	5,071,606
Amounts owed to groups undertakings	400,000	400,000
Taxation	-	70,663
	<u>3,582,492</u>	<u>5,542,269</u>

### 9. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation	<u>186,000</u>	<u>-</u>
Provision for deferred taxation consists of the following amounts		
	<u>2001</u>	<u>2000</u>
	£	£
Opening balance	-	-
Current year charge/(credit)	<u>186,000</u>	<u>-</u>
Balance as at 31st December	<u>186,000</u>	<u>-</u>

### 10. SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
	£	£
Authorised, allotted, called up and fully paid: 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

### 11. RESERVES

	<u>2001</u>	<u>2000</u> (as restated)
	£	£
Profit and Loss Account		
At 1 January	1,568,112	1,562,400
(Loss) / profit for the year	(74,001)	5,712
	<u>1,494,111</u>	<u>1,568,112</u>
At 31 December		

## **LAZARD FUND MANAGERS LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (continued)**

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>2001</u> £	<u>2000</u> (as restated) £
Opening shareholders' funds	2,017,125	1,612,400
(Loss) / Profit for the financial year	(74,001)	505,712
	<hr/> 1,943,124	<hr/> 2,118,112
Dividends	-	(500,000)
Prior year adjustment	(399,013)	-
	<hr/> 1,544,111	<hr/> 1,618,112

### 13. 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. It is, therefore, not required to produce a cash flow statement as part of these financial statements.

### 14. RELATED PARTY DISCLOSURES

The company is exempt from disclosing transactions with 90% or greater owned group companies which are related parties as it is part of a group whose ultimate holding company in the EU publishes consolidated financial statements.

### 15. ULTIMATE PARENT COMPANY

The company's ultimate parent company and ultimate controlling party is Lazard LLC, a Delaware limited 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.

Copies of the parent's financial statements may be obtained from The Secretary, Lazard & Co., Holdings Limited, 21 Moorfields London EC2P 2HT.

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