

REGISTERED NUMBER: 00525667 (England and Wales)

LAZARD ASSET MANAGEMENT LIMITED

Strategic Report, Report of the Directors and

Audited Financial Statements for the Year Ended 31 December 2016

Deloitte LLP
Hill House
1 Little New Street
London
United Kingdom
EC4A 3TR

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LAZARD ASSET MANAGEMENT LIMITED

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LAZARD ASSET MANAGEMENT LIMITED

Company Information
for the Year Ended 31 December 2016

DIRECTORS:

W J Smith
G Mazzari
M D Allen
J Reinsberg

SECRETARY:

T Russell

REGISTERED OFFICE:

50 Stratton Street
London
W1J 8LL

REGISTERED NUMBER:

00525667 (England and Wales)

**SENIOR STATUTORY
AUDITOR:**

Calum Thomson

AUDITOR:

Deloitte LLP
Hill House
1 Little New Street
London
United Kingdom
EC4A 3TR

LAZARD ASSET MANAGEMENT LIMITED

Strategic Report **for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

REVIEW OF BUSINESS

The profit for the year after taxation was £23,280,105 (2015: £19,240,460).

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

PRINCIPAL RISKS AND UNCERTAINTIES

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 ("the 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 which comprises the group's head of risk, senior management and investment professionals and through the London Operational Risk Committee ("LORC"). 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.

The Lazard Asset Management group takes appropriate steps to minimise the impact of operational risks faced by the company through the operation of the London Operating Committee ("LOC") and the LORC which oversee the company's risks and ensure that the company creates and implements processes to identify, measure and monitor those risks. The company, other than through acting as an asset manager, 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 from mandated clients.

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 UK gilts, 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 Conduct Authority.

The LORC monitors the impact of foreign exchange and cash flow risk on an ongoing basis.

The company manages capital adequacy with reference to the Lazard Asset Management (UK) Holdings Limited group Internal Capital Adequacy Assessment Process (ICAAP), as required by the FCA. In particular, the ICAAP establishes the minimum capital requirement with reference to a number of stress tests and scenario analyses.

Details of Lazard Asset Management Limited approach to capital adequacy, as required under Pillar III of the Capital Requirements Directive are included in Lazard Asset Management (UK) Holdings Limited consolidated financial statements as of the year ended 31 December 2016, which also provide information regarding the remuneration policies and practices for those staff whose professional activities have a material impact on the group's risk profile. These financial statements can be obtained from the Registered Office, 50 Stratton Street, W1J 8LL.

LAZARD ASSET MANAGEMENT LIMITED

Strategic Report **for the Year Ended 31 December 2016**

KEY PERFORMANCE INDICATORS

Revenues were £9,392,703 (10%) higher than prior year at £107,720,035 (2015: £98,327,332). This growth in revenues included a £16,565,615 (26%) increase in transfer pricing revenues earned through UK based portfolio management, research and analysis services and distribution fees on assets under management mandated to affiliate Lazard business units outside the UK.

Average assets under management for Lazard Asset Management Limited mandated clients fell by £1,052,703,000 (12%) on prior year at £7,745,459,000 (2015: £8,798,162,000), by consequence associated management fees fell by £7,273,385 (21%) to £27,658,273 (2015: £34,931,874).

ON BEHALF OF THE BOARD:



T Russell - Secretary

29 March 2017

LAZARD ASSET MANAGEMENT LIMITED

Report of the Directors **for the Year Ended 31 December 2016**

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

Lazard Asset Management Limited ("the company") is a wholly-owned subsidiary of Lazard Asset Management (UK) Holdings Limited and acts as an asset manager, providing investment advisory, trading, marketing, client services and limited operational support.

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.

The company is regulated by the Financial Conduct Authority "FCA" (previously the Financial Services Authority).

DIVIDENDS

An interim dividend of £1.639 per share was paid on 31 May 2016, a further dividend of £0.546 per share was paid on 16 December 2016. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2016 was £20,000,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

W J Smith
G Mazzari
M D Allen
J Reinsberg

Other changes in directors holding office are as follows:

A Bhutani - resigned 16 December 2016

GOING CONCERN BASIS

As can be seen from the statement of financial position, 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.

LAZARD ASSET MANAGEMENT LIMITED

Report of the Directors
for the Year Ended 31 December 2016

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director 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 ought to have taken as a director to make himself 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 Section 418 of the Companies Act 2006.

AUDITOR

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP shall be deemed to be re-appointed as the auditor for a further term under the provisions of Section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to read 'T Russell', with a stylized flourish at the end.

T Russell - Secretary

29 March 2017

LAZARD ASSET MANAGEMENT LIMITED

Statement of Directors' Responsibilities **for the Year Ended 31 December 2016**

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Report of the Independent Auditor to the Members of
Lazard Asset Management Limited

We have audited the financial statements of Lazard Asset Management Limited for the year ended 31 December 2016 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.



Calum Thomson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
London
United Kingdom

29 March 2017

LAZARD ASSET MANAGEMENT LIMITED**Statement of Comprehensive Income**
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
TURNOVER		107,720,035	98,327,332
Administrative expenses		<u>(82,205,162)</u>	<u>(79,999,198)</u>
		25,514,873	18,328,134
Other operating income	3	<u>110,892</u>	<u>(705,565)</u>
OPERATING PROFIT	6	25,625,765	17,622,569
Income from shares in group undertakings		3,000,000	5,500,000
Interest receivable and similar income		<u>39,238</u>	<u>58,925</u>
		28,665,003	23,181,494
Interest payable and similar expenses	8	<u>(7,252)</u>	<u>-</u>
PROFIT BEFORE TAXATION		28,657,751	23,181,494
Tax on profit	9	<u>(5,377,646)</u>	<u>(3,941,034)</u>
PROFIT FOR THE FINANCIAL YEAR		23,280,105	19,240,460
OTHER COMPREHENSIVE LOSS			
Actuarial movements in pension schemes		(1,963,637)	(3,125,801)
Income tax relating to other comprehensive loss		<u>349,163</u>	<u>616,077</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		<u>(1,614,474)</u>	<u>(2,509,724)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>21,665,631</u>	<u>16,730,736</u>

The notes form part of these financial statements

LAZARD ASSET MANAGEMENT LIMITED (REGISTERED NUMBER: 00525667)**Statement of Financial Position**
31 December 2016

	Notes	2016 £	2015 £
FIXED ASSETS			
Tangible assets	12	1,246,967	1,339,665
Investments	13	<u>12,718,978</u>	<u>11,014,577</u>
		<u>13,965,945</u>	<u>12,354,242</u>
 CURRENT ASSETS			
Debtors	14	13,963,130	13,034,692
Prepayments and accrued income		8,315,232	9,477,430
Cash at bank		<u>46,895,621</u>	<u>29,625,599</u>
		69,173,983	52,137,721
CREDITORS			
Amounts falling due within one year	15	<u>(46,153,669)</u>	<u>(34,609,090)</u>
NET CURRENT ASSETS		<u>23,020,314</u>	<u>17,528,631</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		36,986,259	29,882,873
 CREDITORS			
Amounts falling due after more than one year	16	(4,195,064)	(1,465,131)
PROVISIONS FOR LIABILITIES	19	(3,116,673)	(2,386,601)
PENSION LIABILITY	21	<u>(1,977,750)</u>	<u>-</u>
NET ASSETS		<u>27,696,772</u>	<u>26,031,141</u>

The notes form part of these financial statements

LAZARD ASSET MANAGEMENT LIMITED (REGISTERED NUMBER: 00525667)

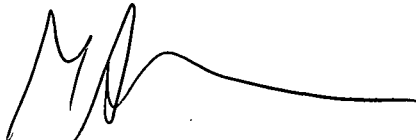
Statement of Financial Position - continued
31 December 2016

	Notes	2016 £	2015 £
CAPITAL AND RESERVES			
Called up share capital	20	9,150,000	9,150,000
Retained earnings		<u>18,546,772</u>	<u>16,881,141</u>
SHAREHOLDERS' FUNDS		<u>27,696,772</u>	<u>26,031,141</u>

The financial statements were approved by the Board of Directors on 29 March 2017 and were signed on its behalf by:



W J Smith - Director



M D Allen - Director

The notes form part of these financial statements

LAZARD ASSET MANAGEMENT LIMITED**Statement of Changes in Equity**
for the Year Ended 31 December 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	9,150,000	20,150,405	29,300,405
Changes in equity			
Dividends	-	(20,000,000)	(20,000,000)
Total comprehensive income	-	<u>16,730,736</u>	<u>16,730,736</u>
Balance at 31 December 2015	<u>9,150,000</u>	<u>16,881,141</u>	<u>26,031,141</u>
Changes in equity			
Dividends	-	(20,000,000)	(20,000,000)
Total comprehensive income	-	<u>21,665,631</u>	<u>21,665,631</u>
Balance at 31 December 2016	<u>9,150,000</u>	<u>18,546,772</u>	<u>27,696,772</u>

The notes form part of these financial statements

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements **for the Year Ended 31 December 2016**

1. STATUTORY INFORMATION

Lazard Asset Management Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Critical accounting judgements and key sources of estimation uncertainty

Due to the nature of the company's business and having considered the key sources of income and expenditure, assets and liabilities, and the company's accounting policies, the directors do not believe there are any critical accounting judgements or key sources of estimation uncertainty.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b) to 11.48(c);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Lazard Asset Management Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Lazard Asset Management (UK) Holdings Limited.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents investment management fees receivable during the year excluding value added tax and is derived entirely from activities performed in the United Kingdom. Turnover is recorded on an accruals basis.

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	over life of lease
Fixtures and fittings	10 years straight-line
Computers and office equipment:	
- computers	3 years straight-line
- audio visual & network costs	5 years straight-line
- office equipment	10 years straight-line

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing commitments

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2016

2. ACCOUNTING POLICIES - continued

Pension costs

The pension cost relating to the UK defined benefit schemes is assessed in accordance with the advice of independent qualified actuaries, so as to recognise the cost of pensions on a systematic basis over the employees' service lives.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits. Actuarial gains and losses are recognised immediately in the statement of other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each reporting date.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

The company has applied the requirements of Section 26 of FRS 102 Share-based payments.

Lazard Limited, on behalf of the company, awards restricted stock units ("RSUs") in Lazard Limited to selected employees within the company. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period.

Fair value is measured by use of the Lazard Limited share price at the statement of financial position date and at the date of the grant.

The company has recognised a liability equal to the portion of the goods or services received at the current fair value determined at each statement of financial position date, since the company is obliged to settle the cash equivalent of the actual cost of the stock when the awards have vested.

Investments

Investments comprise investments in subsidiaries and fixed asset investments in shares. Investments in subsidiaries are stated at cost less any impairment in value in the company's statement of financial position. Fixed asset investments are carried at fair value, any changes in fair value are recognised through profit or loss. Fair value is measured by use of the quoted share price of the investments at the statement of financial position.

Current asset investments are stated at the lower of cost and net realisable value.

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016****3. OTHER OPERATING INCOME**

	2016	2015
	£	£
Other Income	114	213
Other foreign exchange losses	(1,813,532)	(761,872)
Fixed asset investments - revaluation	(126,294)	(499,706)
Fixed asset investments - exchange differences	<u>2,050,604</u>	<u>555,800</u>
	<u>110,892</u>	<u>(705,565)</u>

4. EMPLOYEES AND DIRECTORS

	2016	2015
	£	£
Wages and salaries	41,659,708	38,262,838
Social security costs	5,593,985	4,987,038
Other pension costs	<u>1,079,468</u>	<u>1,011,377</u>
	<u>48,333,161</u>	<u>44,261,253</u>

The average monthly number of employees during the year was as follows:

2016	2015
<u>131</u>	<u>125</u>

Other pension costs excludes £1,963,637 actuarial loss (2015: £3,125,801) recognised in statement of other comprehensive income.

5. DIRECTORS' EMOLUMENTS

The directors' emoluments and details of directors' transactions disclosed below relate to those directors of the company who provided their services either wholly or primarily to the company.

Aggregate emoluments paid to directors and former directors for services in respect of the company and its subsidiaries for 2016 amounted to £1,622,771 (2015: £2,178,654). Further disclosure is provided in the Lazard Asset Management (UK) Holdings Limited group accounts.

6. OPERATING PROFIT

The operating profit is stated after charging:

	2016	2015
	£	£
Other operating leases	2,053,850	2,042,470
Depreciation - owned assets	<u>330,727</u>	<u>285,526</u>

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued**
for the Year Ended 31 December 2016**7. AUDITORS' REMUNERATION**

	2016	2015
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	141,121	125,421
Auditor services relating to taxation	11,545	8,455
Other non-audit services	<u>89,499</u>	<u>80,243</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Other interest expense	<u>7,252</u>	<u>-</u>

9. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2016	2015
	£	£
Current tax:		
Current year charge	6,263,376	4,156,031
Adjustment in respect of previous periods	<u>33,105</u>	<u>(74,302)</u>
Total current tax	<u>6,296,481</u>	<u>4,081,729</u>
Deferred tax:		
Current year credit	(900,405)	(209,115)
Adjustments in respect of previous periods	<u>(18,430)</u>	<u>68,420</u>
Total deferred tax	<u>(918,835)</u>	<u>(140,695)</u>
Tax on profit	<u><u>5,377,646</u></u>	<u><u>3,941,034</u></u>

UK corporation tax has been charged at 20.00% (2015: 20.25%).

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

9. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016 £	2015 £
Profit before tax	<u>28,657,751</u>	<u>23,181,494</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.247%)	5,731,550	4,693,557
Effects of:		
Expenses not deductible for tax purposes	68,176	70,860
Adjustments to tax charge in respect of previous periods	33,105	(74,302)
Dividends not taxable	(600,000)	(1,113,562)
Deferred tax different rates	270,638	134,743
Capital losses	-	172,903
Pension contributions	(151,059)	-
Investment valuations	<u>25,236</u>	<u>56,835</u>
Total tax charge	<u>5,377,646</u>	<u>3,941,034</u>

Tax effects relating to effects of other comprehensive income

	Gross £	Tax £	2016 Net £
Actuarial movements in pension schemes	<u>(1,963,637)</u>	<u>349,163</u>	<u>(1,614,474)</u>
	<u>(1,963,637)</u>	<u>349,163</u>	<u>(1,614,474)</u>

	Gross £	Tax £	2015 Net £
Actuarial movements in pension schemes	<u>(3,125,801)</u>	<u>616,077</u>	<u>(2,509,724)</u>
	<u>(3,125,801)</u>	<u>616,077</u>	<u>(2,509,724)</u>

10. DIVIDENDS

	2016 £	2015 £
Ordinary shares of £1 each		
Interim	<u>20,000,000</u>	<u>20,000,000</u>

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016****11. COMPARATIVES**

Current financial year comparative amounts have been restated to ensure consistency in the presentation of financial statement line items. A portion of distribution fees payable on performance fees have been reclassified from Turnover into Administrative expenses and Foreign exchange gains and losses have been reclassified from Administrative expenses into Other operating income.

12. TANGIBLE FIXED ASSETS

	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 January 2016	1,879,194	1,181,139	1,305,773	4,366,106
Additions	<u>147,367</u>	<u>63,887</u>	<u>26,775</u>	<u>238,029</u>
At 31 December 2016	<u>2,026,561</u>	<u>1,245,026</u>	<u>1,332,548</u>	<u>4,604,135</u>
DEPRECIATION				
At 1 January 2016	1,019,571	997,340	1,009,530	3,026,441
Charge for year	<u>123,267</u>	<u>65,045</u>	<u>142,415</u>	<u>330,727</u>
At 31 December 2016	<u>1,142,838</u>	<u>1,062,385</u>	<u>1,151,945</u>	<u>3,357,168</u>
NET BOOK VALUE				
At 31 December 2016	<u>883,723</u>	<u>182,641</u>	<u>180,603</u>	<u>1,246,967</u>
At 31 December 2015	<u>859,623</u>	<u>183,799</u>	<u>296,243</u>	<u>1,339,665</u>

13. FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Listed investments £	Unlisted investments £	Totals £
COST OR VALUATION				
At 1 January 2016	2,075,002	8,914,582	24,993	11,014,577
Additions	-	6,506,824	-	6,506,824
Disposals	(2)	(6,665,912)	(26,550)	(6,692,464)
Revaluations	-	(160,953)	390	(160,563)
Exchange differences	<u>-</u>	<u>2,049,437</u>	<u>1,167</u>	<u>2,050,604</u>
At 31 December 2016	<u>2,075,000</u>	<u>10,643,978</u>	<u>-</u>	<u>12,718,978</u>
NET BOOK VALUE				
At 31 December 2016	<u>2,075,000</u>	<u>10,643,978</u>	<u>-</u>	<u>12,718,978</u>
At 31 December 2015	<u>2,075,002</u>	<u>8,914,582</u>	<u>24,993</u>	<u>11,014,577</u>

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016****13. FIXED ASSET INVESTMENTS - continued**

Cost or valuation at 31 December 2016 is represented by:

	Shares in group undertakings £	Listed investments £	Totals £
Valuation in 2015	-	8,914,582	8,914,582
Valuation in 2016	-	1,729,396	1,729,396
Cost	<u>2,075,000</u>	<u>-</u>	<u>2,075,000</u>
	<u>2,075,000</u>	<u>10,643,978</u>	<u>12,718,978</u>

Shares in group undertakings:

In the opinion of the directors, the value of the company's investment in subsidiary companies is not less than their carrying value.

On 19 January 2016 LPPS Nominees Ltd was dissolved following a members voluntary liquidation.

The following are the principal subsidiary companies of the company:

Name	Country of Incorporation	Share Description	Percentage Held
Lazard Fund Managers (Ireland) Limited	Ireland	Ordinary £1	100%
Lazard Fund Managers Limited	Great Britain	Ordinary £1	100%

Listed Investments:

During 2016 the company disposed of its seeding investments held in offshore mutual funds:

Lazard Asia Ex-Japan Strategic Equity Fund	10 March	100% disposal
Lazard MENA Fund	24 March	100% disposal
Lazard Global Equity Franchise Fund	24 March	100% disposal
Lazard Global Equity Select Fund	24 March	100% disposal

14. DEBTORS

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	1,524,878	2,409,490
Amounts owed by group undertakings	8,071,750	7,509,483
Other debtors	165,539	123,693
Withholding taxes recoverable	<u>91,999</u>	<u>-</u>
	<u>9,854,166</u>	<u>10,042,666</u>

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

14. DEBTORS - continued

	2016	2015
	£	£
Amounts falling due after more than one year:		
Deferred tax asset	<u>4,108,964</u>	<u>2,992,026</u>
 Aggregate amounts	 <u>13,963,130</u>	 <u>13,034,692</u>

Deferred Tax Asset

	Pensions	UK capital allowances	Deferred Compensation	Total
	£	£	£	£
At 1 January 2016	402,260	(94,798)	2,684,564	2,992,026
Profit and Loss	-	12,504	906,331	918,835
Credit to OCI	<u>198,103</u>	<u>-</u>	<u>-</u>	<u>198,103</u>
 At 31 December 2016	 <u>600,363</u>	 <u>(82,294)</u>	 <u>3,590,895</u>	 <u>4,108,964</u>

UK deferred taxation has been calculated at the rate of corporation tax at which the asset is expected to crystallise to reflect the reduction in the rate of corporation tax to 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020 (2015: 20%).

The directors believe the company will make sufficient profits in the future to realise the benefit of the deferred tax asset.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade creditors	200,686	700,773
Amounts owed to group undertakings	16,904,770	11,533,507
Tax	5,846,030	3,354,876
Social security and other taxes	2,879,487	2,523,321
VAT	371,747	726,491
Accruals and deferred income	<u>19,950,949</u>	<u>15,770,122</u>
	<u>46,153,669</u>	<u>34,609,090</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Accruals and deferred income	<u>4,195,064</u>	<u>1,465,131</u>

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR - continued

Accruals and deferred income relates to the company's liability upon vesting of previously granted Lazard Fund Interests "LFI". LFI represent grants by the company to eligible employees of actual or notional interests in a number of Lazard Managed Funds, subject to service based vesting conditions.

17. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2016	2015
	£	£
Within one year	2,048,160	2,048,160
Between one and five years	10,240,800	10,240,800
In more than five years	<u>2,048,160</u>	<u>4,096,320</u>
	<u>14,337,120</u>	<u>16,385,280</u>

18. FINANCIAL INSTRUMENTS

The company is exempt from FRS 102 section 11 Basic Financial Instrument Disclosures as full disclosure is provided in the Lazard Asset Management (UK) Holdings Limited group accounts.

19. PROVISIONS FOR LIABILITIES

	NI on Deferred Remuneration
	£
Balance at 1 January 2016	2,386,601
Charged to statement of comprehensive income during the year	1,647,128
Utilised during the year	(1,070,440)
Foreign exchange movement	<u>153,384</u>
Balance at 31 December 2016	<u>3,116,673</u>

Provisions have been made for NI-on-deferred remuneration. This is based on the Lazard Ltd share price at 31 December 2016 of \$41.09 (2015: \$45.01) at an NI rate of 13.8% (2015: 13.8%). An increase of \$1 in the share price will result in an NI provision increase of £48,632 (2015: £32,470) on Restricted Stock Units ("RSUs"). Refer to note 25 for RSUs. Outstanding RSUs at 31 December 2016 had a weighted average remaining contractual life of 0.82 (2015: 0.85) years, with the last vesting date in 2019.

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016****20. CALLED UP SHARE CAPITAL****Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2016 £	2015 £
9,150,000	Ordinary	£1	<u>9,150,000</u>	<u>9,150,000</u>

Allotted and issued:

Number:	Class:	Nominal value:	2016 £	2015 £
375,000	Ordinary	£1	-	-

21. EMPLOYEE BENEFIT OBLIGATIONS

Benefit costs for pension benefits used in these financial statements comply with the current applicable accounting standard Section 28 of FRS 102.

During 2016, the company operated a defined benefit pension scheme with assets held in a trustee-administered fund. In addition, contributions were made to personal pension schemes, including stakeholder arrangements for certain individuals.

During 2005 the company made the decision to cease future accrual of benefit entitlements under the scheme with effect from 31 March 2006. The scheme had been previously closed to new members with effect from 1 January 2002.

Following cessation of accrual, substantially all of the employees are now members of the defined contribution Lazard Stakeholder scheme.

Actuarial Assumptions

The defined benefit scheme had a full valuation by independent qualified actuaries as at 31 December 2013, and was updated to 31 December 2016 using the projected unit method, taking assets at fair value.

The major assumptions applicable were:

	2016	2015	2014
Discount rate	2.61%	3.70%	3.65%
Pension increase rate	3.82%	3.80%	3.70%
Indexation in deferment (based on CPI inflation % pa)	2.10%	1.40%	1.70%
Life expectancy of male/female aged 65 in 2013	23.3/25.5	23.2/25.4	23.4/25.3
Life expectancy of male/female aged 65 in 20 years time	25.6/27.4	25.5/27.3	25.3/27.2

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Contributions

On 31 March 2015, Lazard and the Trustees concluded the 31 December 2013 triennial valuations of the plan. In connection with such valuation, Lazard and the Trustees agreed upon pension funding terms pursuant to which Lazard agreed, among other things, (i) to make contributions of £2,490,000 into the plan by way of three equal contributions at 30 June, 30 September and 31 December 2015, and (ii) that the Lazard existing account security arrangement would be dissolved and the cash balance within such account would be paid into the plan by 30 June 2015. On 4 June 2015, £9,060,000 from the account security arrangement was paid into the plan, and as of 31 December 2015, contributions totalling an additional £2,490,000 had been paid into the plan, of which £3,120,000 was paid by the company and £8,430,000 was paid by a related party Lazard & Co., Services Limited. No contributions were made during 2016.

In addition on 31 March 2015, Lazard and the Trustees of the Schemes agreed the following specific undertakings (i) the Gilts funding target, a commitment previously agreed with the Trustees that required the Schemes to be fully funded on the basis of a gilts valuation by 1 June 2020, was waived, (ii) Lazard Group LLC has provided an uncapped guarantee to the schemes

Under a long-term funding agreement the objective is to fully fund the pension schemes on a buyout basis by 2030.

The company paid administrative expenses to the plan of £64,727 (2015: £87,674).

Expenses recognised in the profit or loss

	2016	2015
	£	£
Running costs	78,840	108,540
Interest expenses	-	(49,680)
	<u>78,840</u>	<u>58,860</u>

Expenses recognised outside of the profit or loss

	2016	2015
	£	£
Remeasurements	4,728,780	459,270
Change in asset limit other than interest	(2,765,070)	2,666,520
	<u>1,963,710</u>	<u>3,125,790</u>

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued**
for the Year Ended 31 December 2016**21. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amount included in the balance sheet arising from the company's obligations in respect of its defined benefit retirement benefit scheme is as follows:

	2016	2015
	£	£
Present value of scheme liabilities	82,461,780	65,299,500
Fair value of scheme assets	(80,484,030)	(67,966,020)
Deficit / (surplus) in the scheme	1,977,750	(2,666,520)
Surplus restriction	<u>-</u>	<u>2,666,520</u>
Net liability recognised in the statement of financial position	<u>1,977,750</u>	<u>-</u>

The overall expected return on assets has been calculated as the weighted average of the expected return for the major asset categories.

Movement in the net statement of financial position

	2016	2015
	£	£
Opening liability	-	21,600
Expenses charged to the profit or loss	78,840	58,860
Amounts recognised outside the profit or loss	1,963,710	3,125,790
Employer contributions	<u>(64,800)</u>	<u>(3,206,250)</u>
Closing liability	<u>1,977,750</u>	<u>-</u>

Movement in the present value of the defined obligation

	2016	2015
	£	£
Opening balance	65,299,500	65,810,610
Interest cost	2,364,390	2,363,580
Actuarial loss / (gain)	17,616,420	(750,060)
Benefits paid	<u>(2,818,530)</u>	<u>(2,124,630)</u>
Closing balance	<u>82,461,780</u>	<u>65,299,500</u>

LAZARD ASSET MANAGEMENT LIMITED**Notes to the Financial Statements - continued**
for the Year Ended 31 December 2016**21. EMPLOYEE BENEFIT OBLIGATIONS - continued****Movement in the fair value of the schemes assets**

	2016	2015
	£	£
Opening balance	67,966,020	65,789,010
Interest on plan assets	2,462,940	2,413,260
Return on plan assets (excluding amounts included in net interest cost)	(12,887,640)	(1,209,330)
Contributions from the employer	64,800	3,206,250
Running costs	(78,840)	(108,540)
Benefits paid	<u>(2,818,530)</u>	<u>(2,124,630)</u>
Closing balance	<u>80,484,030</u>	<u>67,966,020</u>

Fair value of scheme assets

	Allocation	Value		Allocation	Value
	2016	2016		2015	2015
	%	£		%	£
Equities	28%	22,235,580		34%	23,176,800
Bonds/matching funds	55%	44,073,990		54%	36,704,610
Absolute return funds	10%	8,329,230		10%	6,667,920
Insurance policies	0%	210,600		0%	231,930
Other	7%	<u>5,634,630</u>		2%	<u>1,184,760</u>
Total	100%	<u>80,484,030</u>		100%	<u>67,966,020</u>

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

22. ULTIMATE PARENT COMPANY

Lazard Limited (incorporated in Bermuda) is regarded by the directors as being the company's ultimate parent company.

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

The company's immediate controlling party is Lazard Asset Management (UK) Holdings 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 the 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 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.

23. CAPITAL COMMITMENTS

The company has no further commitment to acquire any investment.

24. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group

25. SHARE-BASED PAYMENT TRANSACTIONS - RESTRICTED STOCK UNITS

Lazard Limited, on behalf of the company, has awarded restricted stock units ("RSU") of Lazard Limited to selected employees of the company.

	Number of RSU's	Weighted average grant price 2016	Market price 2016
Outstanding at 1 January 2016	547,750	\$44.86	-
Granted during the year	376,954	\$34.77	-
Forfeited during the year	(2,772)	\$41.06	-
Vested during the year	(201,121)	\$39.52	-
Outstanding at 31 December 2016	<u>720,811</u>	<u>\$41.09</u>	<u>\$41.09</u>
Exercisable at 31 December 2016	<u>-</u>		

LAZARD ASSET MANAGEMENT LIMITED

Notes to the Financial Statements - continued **for the Year Ended 31 December 2016**

25. SHARE-BASED PAYMENT TRANSACTIONS - RESTRICTED STOCK UNITS - continued

Outstanding RSU's at 31 December 2016 had a weighted average remaining contractual life of 0.82 years (2015: 0.85 years). In 2016, RSU's were granted on 5 February and 1 March. The company recognised total expenses of £8,473,962 (2015: £8,609,129) related to RSU transactions.

The fair value of the outstanding RSU's is determined with reference to the closing market price of Lazard Limited stock at 31 December 2016.

26. SHARE-BASED PAYMENT TRANSACTIONS - LAM EQUITY PLAN STOCK UNITS

Certain current and former employees of the company, including directors, were members of a phantom equity incentive scheme operated by the company and Lazard Asset Management LLC, the company's indirect parent. On 25 September 2008 pursuant to a definitive agreement dated 14 August 2008 the interests under the scheme were crystallised in the form of cash bonuses immediately payable, cash bonuses payable 31 October 2011 and the issuance of stock units of Lazard Limited, also deliverable 31 October 2011. In the event that an employee was no longer employed by Lazard or its affiliates on 31 October 2011, the payment of cash and issuance of stock was to be delayed until the eighth anniversary of the agreement, subject to certain exceptions.

The agreement also generally provides that if there is a change in control of the company or Lazard Asset Management LLC, the company's indirect parent, any and all of the transaction consideration will become payable as of the date of such change in control.

	Number of LAM Equity Plan stock units	Weighted average grant price 2016	Market price 2016
Outstanding at 1 January 2016	4,796	\$35.95	-
Granted during the year	-	-	-
Forfeited during the year	-	-	-
Vested during the year	<u>(4,796)</u>	<u>\$35.95</u>	<u>\$37.04</u>
Outstanding at 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>

All outstanding LAM Equity Plan stock units at 1 January 2016 vested during October. The company recognised a debit of £77,074 (2015 £23,304) related to LAM Equity Plan stock unit transactions.